

POLAND CATCHING-UP REGIONS 3

STRENGTHENING ENTREPRENEURSHIP
IN THE WŁOCŁAWEK
FUNCTIONAL URBAN AREA



POLAND CATCHING-UP REGIONS 3

STRENGTHENING ENTREPRENEURSHIP
IN THE WŁOCŁAWEK
FUNCTIONAL URBAN AREA



© 2019 International Bank for Reconstruction
and Development / The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

This work is a product of the staff of The World Bank with external contributions. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent.

The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Rights and Permissions

The material in this work is subject to copyright. Because The World Bank encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given.

Any queries on rights and licenses, including subsidiary rights, should be addressed to World Bank Publications, The World Bank Group, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: pubrights@worldbank.org.

CONTENTS

| | |
|--|----|
| Acknowledgments | 5 |
| Acronyms and Abbreviations | 6 |
| Abstract | 7 |
| Project background | 9 |
| CHAPTER 1 GROWTH CHALLENGES AND THE SITUATION OF ENTREPRENEURS IN WŁOCŁAWEK | 13 |
| Population | 14 |
| The labor market | 15 |
| Entrepreneurship in the functional urban area | 15 |
| Utilization of European funds in the Włocławek subregion | 16 |
| Interviews with entrepreneurs | 17 |
| Observed features and needs of firms from the Włocławek functional urban area | 18 |
| Business support institutions in Włocławek | 22 |
| Perception of BSIs among entrepreneurs | 24 |
| Expectations toward BSIs in Włocławek | 25 |
| CHAPTER 2 WŁOCŁAWEK FOCUSES ON ENTREPRENEURS: STRENGTHENING THE LOCAL BUSINESS ENVIRONMENT | 29 |
| 'One-stop shop for business'—the Włocławek Business Center | 30 |
| Areas of activity of the WBC | 31 |
| 1. Incubation and support for new firms | 31 |
| 2. Supporting growth of mature firms | 33 |
| 3. Promoting entrepreneurship among young residents | 35 |
| 4. Strengthening dialogue of the local government authorities with the business environment | 37 |
| Sustainable development of the Kujawsko-Pomorskie Region—recommendations for regional and municipal economic policy | 39 |
| CHAPTER 3 HOW CAN BUSINESS BE SUPPORTED MORE EFFECTIVELY? THE KEY TO A SUCCESSFUL ECONOMIC POLICY | 43 |
| 1. Who will pay for it? WBC financing sources | 44 |
| 2. Optimal legal form for the WBC | 46 |
| Legal forms of BSIs in Poland | 46 |
| Comparative analysis | 46 |
| 3. Factors for the success of the Włocławek Business Center | 48 |
| Incorporation of local stakeholders in the form of a social agreement | 48 |
| Stable political environment and financing | 48 |
| Promotion of the WBC | 49 |
| Competent staff | 49 |
| The WBC as a learning institution | 50 |
| Effective implementation of recommendations | 51 |
| Notes | 52 |
| Bibliography | 53 |

BOXES

| | |
|--|----|
| BOX 1 Methodology of in-depth interviews | 17 |
| BOX 2 Leszno Business Center | 24 |
| BOX 3 Good practices in incubation and post-incubation—the custodians of firms in the Poznań Science and Technology Park (PSTP) | 31 |
| BOX 4 Good practices in incubation | 32 |
| BOX 5 Incubation and services for firms—an example of the effective operation of a BSI | 33 |
| BOX 6 Support for mature firms—two examples of an effective BSI-firm relationship | 33 |
| BOX 7 Promoting entrepreneurship—good practices: business idea competition | 36 |
| BOX 8 Reaching local firms with the BSI offer—good practices | 37 |

FIGURES

| | |
|--|----|
| FIGURE 1 Changes in the number of persons of pre-working age and working age, from 2010 to 2017 | 15 |
| FIGURE 2 Unemployment rate in 2010 and 2018, and long-term unemployment rate in 2018 | 15 |
| FIGURE 3 Number of applications of firms for grants from priority axis 1, per 10 000 residents, by powiat | 16 |
| FIGURE 4 Problems of entrepreneurs when seeking EU funds | 21 |
| FIGURE 5 Favorable and unfavorable factors for growth of firms in Włocławek and its environs | 22 |
| FIGURE 6 The most important forms of support according to entrepreneurs | 25 |
| FIGURE 7 The most useful BSI services according to surveyed entrepreneurs | 26 |
| FIGURE 8 Scope of activities of the WBC | 30 |
| FIGURE 9 Organizational chart of a technological incubator | 50 |

TABLES

| | |
|---|----|
| TABLE 1 Percentage of employed people, according to economic sector, in 2017 | 16 |
| TABLE 2 Number of firms, according to size and type of activity | 17 |
| TABLE 3 Offer of BSIs in Włocławek and subregion | 23 |
| TABLE 4 Recommended scope of the activities of the WBC in incubation and support for young firms | 32 |
| TABLE 5 Recommended scope of activities of the WBC in the field of support for the growth of mature firms | 35 |
| TABLE 6 Recommended scope of activities of the WBC in the field of entrepreneurship promotion | 35 |
| TABLE 7 Recommended scope of activities of the WBC in strengthening the dialogue between the local government authorities and the business environment | 38 |
| TABLE 8 Scope of activities of the WBC and financing sources | 45 |
| TABLE 9 Various legal forms of BSIs—advantages and disadvantages | 47 |

ACKNOWLEDGMENTS

This report has been prepared by a team led by Łukasz Marć, and composed of: Wojciech Sacha, Bartłomiej Skowron, Alicja Szczepińska, Dorota Tekieli-Bisińska, and Anna Tórz. Damian Iwanowski supported the analyses concerning European funds. The project was coordinated by Paul Kriss, Marcel Ionescu-Heroiu, Grzegorz Wolszczak, and Agnieszka Boratyńska. The team would like to express its gratitude for the helpful comments of the reviewers Natasha Kapil, Grzegorz Wolszczak and Marcin Piątkowski, which have contributed to and improved diagnosis and recommendations.

The team would like to thank Commissioner Corina Cretu for starting the Catching-up Regions Initiative, Minister Jerzy Kwieciński from the Ministry of Investment and Economic Development for his invaluable support, and the team of the European Commission for their exceptional involvement and help, and in particular Marc Lemaitre, Erich Unterwurzaher, Christopher Todd, Wolfgang Munch, Justyna Podralska and Andrzej Urbanik.

The team would also like to thank Arup Banerji, David Sislen, Marialisa Motta, Carlos Piñerúa and Natasha Kapil for their guidelines and instructions during the preparation of the report, Małgorzata Michnowska and Agnieszka Boratyńska for administrative support and Jerzy Toborowicz for support at the initial stage of the project.

The team is grateful to the entrepreneurs from the Włocławek functional urban area for the time they found to share their experience in doing business in Włocławek and its environs. The team would also like to thank the Ministry of Investment and Economic Development, the Marshal Office in Toruń, the Włocławek City Hall, the Investor Service Center, the Innovation and Entrepreneurship Incubator, the Higher Vocational State School, the State Employment Office in Włocławek, and representatives of the business environment for their active cooperation. In particular, we would like to thank the city of Włocławek Mayor Marek Wojtkowski, and Deputy Mayor Krzysztof Kukucki, for their invaluable support, and Anna Pakulska, Mariusz Koszytkowski, Jakub Girczyc, and Edyta Płaskonka-Pruszek for their continuous help during the implementation of the project.

The report was completed in May 2019.

ACRONYMS AND ABBREVIATIONS

| | |
|----------------|--|
| BNI | Business Network International |
| BSI | Business Support Institution |
| CH | City Hall |
| CSO | Central Statistical Office |
| CuR | Catching-up Regions |
| DEO | District Employment Office |
| EC | European Commission |
| EU | European Union |
| ERDF | European Regional Development Fund |
| ESF | European Social Fund |
| GDPR | General Data Protection Regulation |
| GSD | Growth Services Database |
| HVSS | Higher Vocational State School in Włocławek |
| ISC | Investor Service Center |
| KPLF | Kujawsko-Pomorski Loan Fund |
| KPR | Kujawsko-Pomorskie Region |
| LBC | Leszno Business Center |
| LDB | Local Data Bank |
| MIED | Ministry of Investment and Economic Development |
| MO | Marshal Office |
| OECD | Organisation for Economic Co-operation and Development |
| PCA | Polish Classification of Activities |
| PSEZ | Pomorska Special Economic Zone |
| PTSP | Poznań Science and Technology Park |
| ROP | Regional Operational Program |
| R&D | Research and Development |
| SEZ | Special Economic Zone |
| SMEs | Small and Medium Enterprises |
| TRDA | Toruń Regional Development Agency |
| WBC | Włocławek Business Center [working name for the proposed entity] |
| WIEI | Włocławek Innovation and Entrepreneurship Incubator |

ABSTRACT

Włocławek is faced with the challenge of the depopulation and aging of its society. This is a result of, among other factors, the emigration of young people which, in turn, is caused by the inferior prospects and lower wages than in other cities, as well as the difficulty in finding jobs that are consistent with their levels of education. These processes could be slowed down through the utilization and enhancement of the existing potential among the entrepreneurs in the Włocławek subregion. The subregion has a considerable number of medium and large enterprises, with an above-average role in industry and an above-average percentage of people that are employed in this sector. However, despite the high unemployment, entrepreneurs point out the difficulties involved in hiring employees, particularly those with technical training, as well as the poor development of the business-related infrastructure. Local support for entrepreneurs by business support institutions (BSIS) is dispersed and incomplete. There is an insignificant number of business-oriented initiatives, as well as poor cooperation between local companies, and between the companies and the city.

On the basis of the analysis of existing data and interviews with Włocławek stakeholders (BSIS, 28 entrepreneurs, associations, the municipal and regional authorities, and higher-education institutions), experts of the World Bank (WB) recommend the transformation of the Włocławek Innovation and Entrepreneurship Incubator (WIEI) into the **Włocławek Business Center (WBC)¹—a business support institution based on the ‘one-stop shop for business’ concept**. The WBC should focus on four priority areas of activity: i) offering a comprehensive range of pre-incubation services for potential entrepreneurs and incubation services for new firms; ii) support for mature firms through training, consulting, advanced services, and cooperation in acquiring external funding; iii) promotion of entrepreneurial attitudes; and iv) creation of a platform for dialogue between the business community and the local and regional government authorities, educational institutions, and BSIS. Establishing a competent WBC team will be the key to the success of the above measures.

An economic policy that addresses the needs of entrepreneurs, and builds the trustworthiness of the institution, requires the involvement of a wide range of stakeholders. The World Bank experts recommend **the conclusion of a local pact for development**. Such an agreement, drawn up by the most important entities of Włocławek’s economy, such as the city hall, BSIS, the District Employment Office (DEO), educational institutions, associations of entrepreneurs, and the entrepreneurs themselves, would be aimed at establishing the rules of cooperation in three priority areas: i) a long-term plan for the WBC; ii) business-local government dialogue; and iii) improving education in the city. In shrinking cities, it is particularly important to invest in dialogue and local cooperation, to strengthen initiatives and build mutual trust.

The experts from the World Bank stated that a **special purpose limited company would be the optimal legal form for the WBC**. The city incubator currently operates as a part of one of the city’s budgetary entities, which means that there is no accounting transparency, low decision-making autonomy, low capacity to recruit and keep qualified staff, and limited possibilities of entering into partnerships with other BSIS. Also, the WBC should use diverse funding sources, and

strive to provide services on a demand-driven and commercial basis. The city and the regional authorities should finance the operation of the WBC in the areas where it performs public tasks and pursues the economic policy of the city and the region.

The success of the WBC depends on the support of the Marshal Office (MO) as well. It is therefore also recommended to **strengthen the capacity of the BSIs in smaller cities through support from European funds**. In the current financial perspective, there has been a lack of competitions that would raise the skills of BSI staff to the levels necessary to provide high-quality services that meet the needs of the firms. Moreover, the competitions organized by the Marshal Office favored larger, more experienced and affluent BSIs. Another good solution is the creation of incentives for cooperation between the Toruń Regional Development Agency (TRDA) and the WBC, as well as institutions similar to the WBC that have been established in other towns of the region.

The implementation of the recommendations is the responsibility of the city. It is the local authorities that will decide on the form and scope of commitments to be adopted by the WBC, as well as to ascertain whether it will attain the set objectives. In building the capacity of the transformed institution, the WB team prepared three study visits for Włocławek representatives: to Heerlen in the Netherlands, and to Leszno and Kalisz in the Wielkopolska Region of Poland. In addition, a financial analysis of the WIEI (financial year 2018) was provided, as well as the scope and plan of action for the first years of the WBC. A workshop was also held on the organization of trainings, by the business support institutions.

PROJECT BACKGROUND

In 2016, the European Commission (EC) inaugurated the Catching-up Regions (CuR) Initiative, to identify constraints to growth in the less developed regions of the European Union (EU), and to provide targeted assistance and action, aiming to unlock their growth potential. Since the beginning of the initiative, the Ministry of Investment and Economic Development (MIED) has coordinated the project in Poland, while the World Bank has provided technical assistance for the regions that have indicated an interest, and that have been selected for the project.

The Kujawsko-Pomorskie Region (KPR), together with the European Commission, has pointed out two challenges facing Polish cities: depopulation and the simultaneous aging of the population. Włocławek and its functional urban area have been identified as a subregion that is particularly affected by these challenges. Depopulation and the aging of society are especially visible in small and midsize towns, from where the better educated and more entrepreneurial young people migrate to the larger centers, or abroad. One of the reasons for this migration is the lack of interesting jobs and opportunities in these smaller towns.

The KPR and the EC have expressed the hope that strengthening the entrepreneurial spirit among the citizens of Włocławek, and the creation of a business-friendly environment, will prevent the population outflow by creating new jobs. This will be achieved by increasing the number of investors in the subregion and by encouraging aspiring entrepreneurs to start their own businesses. An analysis of the applications for EU funds, carried out by the KPR, showed that a low percentage of firms from the Włocławek area took part in competitions within the Regional Operational Program (ROP) Axis 1. It was shown that this may signal a weakness of micro, small and medium firms (SMEs), to which EU funds are mainly directed.

In October 2018, the World Bank team began to diagnose the situation of entrepreneurs in the Włocławek functional urban area, in order to propose viable activities to stimulate entrepreneurship by the end of May 2019. The task was divided into three subactivities:

1. Diagnosis of the entrepreneurial challenges in Włocławek on the basis of the analysis of the existing data and in-depth interviews with 28 firms, nine business environment institutions, the authorities of Włocławek and Brześć Kujawski, the staff of the city hall departments, the Higher Vocational State School (HVSS), the Marshal Office, and the District Employment Office
2. Proposal of initial activities based on the diagnosis. Refining solutions during three workshops with stakeholders: i) with staff of city hall, the Marshal Office, the regional incubator and municipal incubator, ii) with the chambers of commerce and entrepreneurs, and iii) with the councilors of the city of Włocławek
3. Support of Włocławek institutions in the preparation process for the implementation of recommendations, through: a study visit to Heerlen in the Netherlands, as well as study visits to business support institutions in Kalisz and Leszno; the setting-up of workshops for mapping out innovation policies in Warsaw; and additional analyses and material not included in this report

The presented document is the final report on this activity.²

The main project recommendation is the transformation of the Włocławek Innovation and Entrepreneurship Incubator, which currently offers only subsidized office, storage and production space for new firms, into a business environment institution serving four functions: i) comprehensive support for the incubation of new firms; ii) support for mature firms; iii) promotion of entrepreneurship; and iv) support for the dialogue of the local government authorities with the business environment. For the needs of this report, the proposed business environment institution has been named the **Włocławek Business Center (WBC)**. The activities of the WBC would be aimed at supporting social and economic development of the Włocławek subregion and at addressing the diagnosed challenges, such as: the low number of established new enterprises; the low number of applications for EU funds; the few developmental initiatives; the inadequate dialogue between entrepreneurs, educational centers and authorities; as well as other developmental constraints of enterprises. The report also contains recommendations concerning an agreement for the development of Włocławek, improving regional policies, the legal form of the institution, and the co-financing sources.

The final decision as to the form and scope of support for entrepreneurship in the Włocławek functional urban area will be taken by the municipal, district, and regional authorities. In the course of the task execution, the WB team provided analytical and expert support for the local authorities and helped in the consultation process. The conducted analyses, presentation of various potential solutions, indication of the strengths and weaknesses of the proposed solutions on the basis of experience in similar centers, as well as the broad consultations, were all aimed at enabling the stakeholders to make the best possible decisions in the future.

CHAPTER 1

**GROWTH CHALLENGES
AND THE SITUATION
OF ENTREPRENEURS
IN WŁOCŁAWEK**

Włocławek is a city that has an industrial character, a population of 112,000, and the rights of a district. Since the 1989 political transformation, the main challenge of Włocławek has been its loss of social and economic functions, caused by the diminishing role of industry in the city, deepened by the loss of regional functions following the 1999 administrative reform. The report of the Polish Academy of Sciences (Śleszyński, 2016) placed Włocławek among the cities with a highly unfavorable economic situation due to the loss of their social and economic functions. Among cities with a population over 100,000 inhabitants, Włocławek was one of the six cities with the least favorable trends, next to Wałbrzych, Radom, Zabrze, Tarnów, and Sosnowiec. The city's development strategy (2014), and the strategy for the functional urban area (2015), have formulated the following objectives:

1. **Reversing the depopulation trend and improving the situation in the labor market:** combating high unemployment, emigration of young people, population decline, and the resulting rise in the cost of social care
2. **Activating the economy of the subregion:** increasing the number of investors creating new jobs, building comprehensive support for the growth of firms, support for entrepreneurship of residents, improvement of the economic image, and enhancing the subregion's tourist and recreational attractiveness
3. **Improving the quality of human capital:** improving the quality of education and the development of lifelong learning

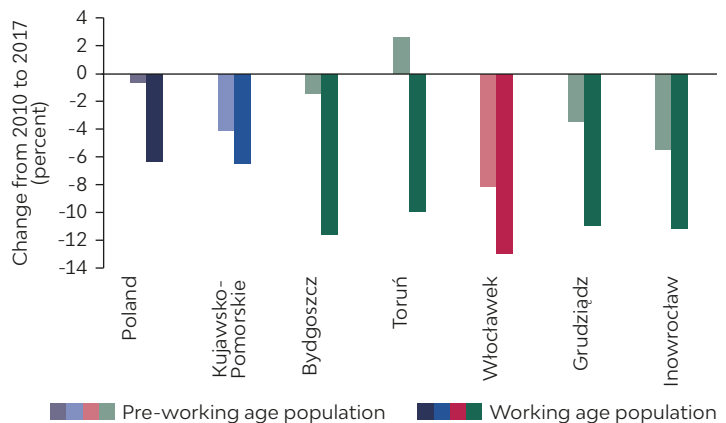
The project activities focus on the city of Włocławek and its functional urban area. The functional urban area includes the city along with the bordering areas connected by social and economic functions. The Functional Urban Area of Włocławek (delimitation in 2014) includes the city of Włocławek (with district rights), the following municipalities of the Włocławek District: Włocławek, Fabianki, Kowal, Chocień, Brześć Kujawski and Lubanie, as well as Bobrowniki and Dobrzyń on the Vistula River in the Lipno District. Further in the report, the terms 'Włocławek subregion' and 'Włocławek functional urban area' are used interchangeably. In 2017, the Włocławek functional urban area had 171,000 residents, with 65% of the entire population (112,000 residents) living in the city of Włocławek.

Population

Depopulation in Włocławek is progressing the most rapidly among the biggest cities of the Kujawsko-Pomorskie Region.³ The population decline began in 1998, when Włocławek had 123,000 residents. In nearly 20 years the population dropped by 10%, to 111,000 inhabitants. A population decline can be seen in all the biggest cities, but Włocławek is declining faster than the region (with a drop of 5,300 residents from 2010 to 2017). The population decline is the result of migration, and a higher level of deaths than births.⁴ The Central Statistical Office (CSO) forecasts that the population of Włocławek will drop to 101,000 residents in 2030 and to 80,000 in 2050. The city's age structure will also deteriorate, to the point where the number of retired people exceeds the number of occupationally active people.

The Włocławek population of children and of working adults is declining sharply, while the number of people of retirement age is rising. In 2010–2017, the working-age population declined by 13%, over two times more than in the region, and in Poland as a whole. Again, this is the highest decline among the biggest cities of the region (see Figure 1). Włocławek also had the biggest drop in the number of children among the large cities in the region (by 8%). The population of people above working age rose by as much as 26%. Currently, one fifth of the residents of Włocławek are of retirement age, which is more than in the rest of the region.⁵

FIGURE 1 Changes in the number of persons of pre-working age and working age, from 2010 to 2017



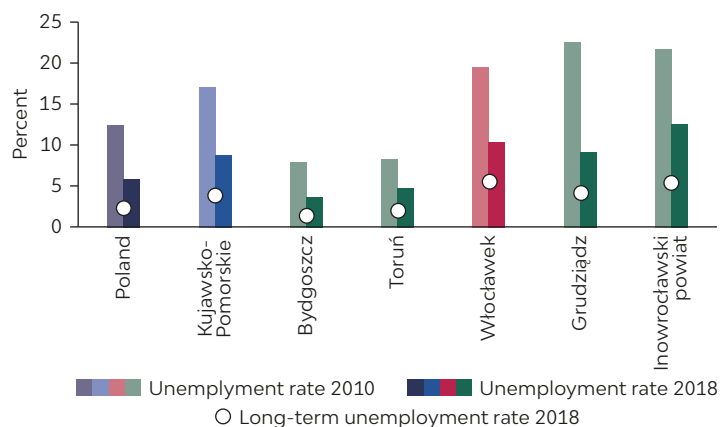
Source: Based on CSO LBD data.

Note: According to the CSO definition, pre-working age includes persons under the age of 14 (inclusive), working age from 15 to 64 for men and from 15 to 59 for women, while post-working age includes persons older than of working age.

The labor market

Włocławek continues to have one of the highest unemployment rates among midsize cities in Poland, with a large proportion of long-term unemployed individuals. Even though unemployment dropped by nine percentage points between 2010 and 2018, it still exceeds ten percent (see Figure 2). The city of Włocławek has the second highest unemployment rate in Poland among cities with a population of more than 100,000, while the Włocławek District has the eighteenth highest unemployment rate among districts in Poland (16%). In the group of occupationally active people, 5.5% were long-term unemployed—over two times more than in all of Poland.⁶ In addition, the long-term unemployed accounted for 53% of all unemployed people, compared to an average of 40% in Poland.

FIGURE 2 Unemployment rate in 2010 and 2018, and long-term unemployment rate in 2018



Source: Based on CSO LBD data.

Entrepreneurship in the functional urban area

The structure of firms according to their size in Włocławek is slightly different than the structure of firms in Poland. Over 99% of the firms in Włocławek are classified as MSMEs, of which 95% are micro firms. However, Włocławek has a larger than average percentage of small, medium and large firms that have greater growth potential than micro firms. The city should try to use this advantage and create suitable conditions for their development. On the other hand, the number of newly registered firms in Włocławek is the lowest since 2010 and dropped from 930 in 2010, to 776 firms in 2017.

Nearly half (45%) of occupationally active residents of Włocławek work in industry and construction, which confirms the image of the city as being based on industry, and illustrates its growth potential.⁷ The percentage of people employed in manufacturing is clearly higher in Włocławek than in the other cities of the region (see Table 1). Work in the service sector provides the most jobs for the residents of Włocławek, Toruń, Grudziądz, and Bydgoszcz.⁸

TABLE 1 Percentage of employed people, according to economic sector, in 2017

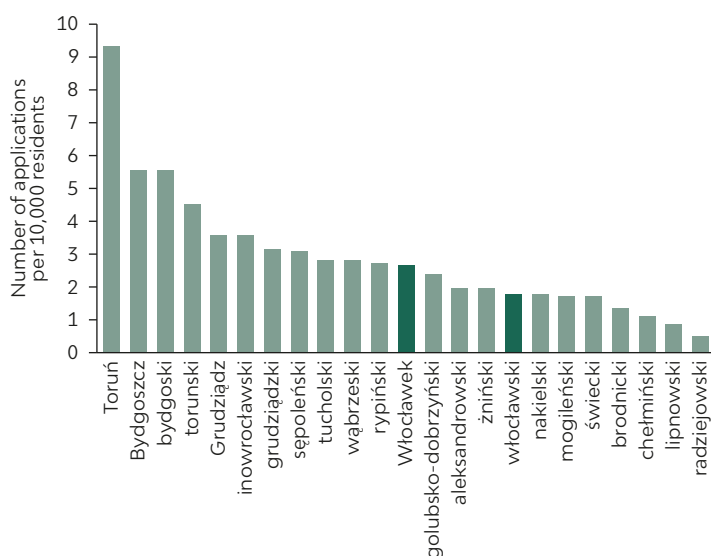
| | Number of employed people | Agriculture, hunting, fishing [Polish Classification of Activities (PCA) section A] | Industrial sector (PCA sections B to F) | Services ^a (PCA sections G to T) |
|--------------------|---------------------------|---|---|---|
| Poland | 11,833,969 | 20.0% | 27.1% | 52.9% |
| Kujawsko-Pomorskie | 576,414 | 18.6% | 30.5% | 50.9% |
| Bydgoszcz | 124,527 | 0.7% | 30.0% | 69.3% |
| Toruń | 65,735 | 0.7% | 24.9% | 74.4% |
| Włocławek | 33,109 | 1.7% | 44.6% | 53.7% |
| Grudziądz | 23,875 | 2.2% | 39.8% | 58.0% |

Source: CSO LBD data for firms employing more than nine people, and budgetary entities, irrespective of the number of workers.

a. A detailed classification of PCA is available at: https://stat.gov.pl/Klasyfikacje/doc/pkd_07/pkd_07.htm.

Utilization of European funds in the Włocławek subregion

In comparison with other regions, the Kujawsko-Pomorskie Region apportions an above-average percentage of EU funds for programs supporting the development of innovation and entrepreneurship. In the 2014 – 2020 financial perspective, the Kujawsko-Pomorskie Region has €1.9 billion from structural funds at its disposal within the Regional Operational Program. The largest amount has been allocated for strengthening innovation and competitiveness of the region's economy, where the total allocation was nearly €405 million. The programs support two objectives of key importance in terms of enterprise development: i) "Strengthening research, technological development and innovation," and ii) "Strengthening the competitiveness of SMEs."

FIGURE 3 Number of applications of firms for grants from priority axis 1, per 10 000 residents, by powiat

Source: Own study based on data received from the Marshal Office of the Kujawsko-Pomorskie Region.

Note: Toruń means the powiat of the City of Toruń, and toruński means the Toruń Powiat. This is also the case for Bydgoszcz, Włocławek and Grudziądz. Status as of 30.11.18.

The per capita number of applications of Włocławek firms for grants in these areas was clearly the lowest among the five largest cities of the Kujawsko-Pomorskie Region, at 2.7 applications per 10,000 residents (see Figure 3). This is much less than in Toruń, where for every 10,000 residents there were more than nine applications. The average for the Kujawsko-Pomorskie Region was 4.5.⁹

The Włocławek entrepreneurs to whom the World Bank representatives spoke, pointed out the inadequate information and promotion of EU funds in the city, and the lack of local entities/centers dealing with the preparation of projects and the applications for co-financing. These reasons may be contributing to the relatively small interest in EU funds shown by firms operating in the Włocławek subregion. Of the 23 districts, the city of Włocławek ranked 12th in the number of applications per capita, and the Włocławek District ranked 16th.

INTERVIEWS WITH ENTREPRENEURS

In order to understand the business environment of the Włocławek functional urban area, the World Bank representatives held interviews with 28 enterprises. Firms from the manufacturing and service sectors accounted for 40% of the sample each, while 20% were engaged in trade activity (see Table 2). Sixty-five percent of the sample consisted of micro and small firms (with less than 50 employees). The average employment in a midsize firm was 126 persons, and in a large firm nearly 1,200. Twenty-four firms have their seat in Włocławek, three in Bobrowniki, and one in Lubanie. In terms of the legal form of an enterprise, the sample included 13 sole proprietorships, two partnerships, nine limited liability companies, three joint stock companies, and one cooperative.

TABLE 2 Number of firms, according to size and type of activity

| | Manufacturing | Service | Trade | Total | Average employment |
|--------|---------------|---------|-------|-------|--------------------|
| Micro | 2 | 4 | 2 | 8 | 4 |
| Small | 2 | 6 | 2 | 10 | 27 |
| Medium | 4 | 1 | 1 | 6 | 126 |
| Large | 3 | 1 | 0 | 4 | 1175 |

Source: Own calculations.

BOX 1 Methodology of in-depth interviews

The purpose of this phase of the project was to carry out interviews with about 30 firms from the Włocławek functional urban area. The firms were selected for the sample based on the following criteria:

- Diversity in terms of size
- Firms with growth potential
- Type of firm
- Potential clients of business support institutions

Metz and Hill (2017) claim that the needs of firms differ depending on their size. Therefore, an emphasis was placed on the diversity of enterprises in the sample. The selection focused on firms with growth potential and with a scalable type of business activity, because such entities may in the future contribute the most to stimulating entrepreneurship in the city. There is also an over-representation in the sample of firms with a manufacturing profile, because they reflect the city's economy, which is based on industry. A preliminary diagnosis of business support institutions, and talks with the authorities in Włocławek, showed that the transformation of the currently existing business support institution may become an implementation objective of the project. For this reason, greater emphasis was placed in the selection on the potential clients of the business support institution.

Among the firms selected for the study, not even 20% agreed to take part, as had been expected. Representatives of the World Bank contacted about 150 firms, of which 28 provided in-depth interviews.^a The main reasons for refusal were: the belief that the meeting will not change anything in the city's policy, bad experiences with the municipal authorities, lack of time, and the lack of the need of help from the local government. The critical attitude of entrepreneurs created the impression that they have a negative view of the city's efforts to create conditions for economic growth.

In order to ensure an accurate analysis of interview data, detailed structured documentation was prepared (3–4 pages summing up the meeting with each firm). The documentation contains information about: the history of the firm, the products, employment, the markets, the strategic and operational goals, as well as the needs and the demand for support services. In accordance with the protocol, the talks were confidential. For this reason, the notes from the interviews are not included in the report.

A qualitative analysis of the in-depth interviews was backed by the quantitative data from the questionnaire used at the end of most interviews. However, due to the limited size of the sample and the lack of representativeness, the quantitative data should be treated as an indicative complement to the qualitative interviews. Eight major conclusions from the analysis were verified during workshops and talks with the stakeholders.

a. The sample of firms is not a random or representative sample. About two-thirds of the firms that agreed to take part in an interview had been recommended by the city authorities, in accordance with the suggestions concerning the profile of the desired participant. The authorities as well as the District Employment Office staff suggested a list of firms that are pro-active and would be willing to join the debate on the city's future economic policy. The remaining firms that were interviewed were found on the internet. This manner of setting up interviews resulted in a much greater number of refusals.

Observed features and needs of firms from the Włocławek functional urban area

1. The characteristics and needs of the champions, stable firms, and declining firms differ significantly from each other

Based on an analysis of the interviews, the surveyed enterprises can be divided into three groups, contingent on their growth potential, that is, champions, firms with limited potential (stable), and declining firms.¹⁰

a) The champions

The champions are the strongest firms, with significant growth potential, satisfying margins, and their own outstanding products in the markets. They usually operate in the B2B sector and offer advanced products and services. They often export a significant portion of their products and have a strategy of expansion to foreign markets. To maintain a competitive advantage, they invest in their own research and development (R&D) or cooperate with academic units. Their further development largely depends on acquiring a qualified workforce with technical skills, and opportunities for investment in the expansion of their production facilities.

The champions create demand for a better paid, technically trained and educated workforce. The local government may support them by ensuring high-quality vocational education (dual education, or on-the-job training) and a higher-education program offer adjusted to their needs (technical programs, postgraduate programs, lifelong learning).¹¹ Most firms that are leaders complain that because of the emigration of the most talented young people, hiring engineers is becoming an ever greater problem in Włocławek. The champions also pointed out the need for more proactive and comprehensive services for investors. Some entrepreneurs felt that the neighboring municipalities are more effective in acquiring new investors and in caring for those already operating in their area. These municipalities usually offer attractive tax breaks for investors as well.

b) Stable firms or firms with limited potential

Stable firms or firms with limited potential are usually service firms operating in the regional or national market in the B2B sector. Often, these are small manufacturers, construction firms, and subcontractors. In the case of manufacturing firms, their growth potential is limited due to outdated machinery and low margins. They operate in a crowded market or in a specialist niche, and as a consequence, they cannot increase their scale. Stable firms usually compete in the price, and not in the quality or attractiveness of the product. All these factors do not allow them to offer competitive wages, thereby increasing staff rotation and additionally weakening their growth potential. Often the lack of a long-term strategy and investment plans aggravate their situation. The main need of stable firms is to ensure access to external financing, implementation of new technology, as well as the better integration of the local business community, the improvement of networking, and the strengthening of cooperation. Such enterprises usually do not have staff with the needed business skills. Therefore, consulting, training, and workshops organized by BSIs could be very helpful.

c) Declining firms

Declining firms operate mainly in the local market and consist mostly of micro or small enterprises. They cannot compete with the big market players due to their low profitability, small scale, and lack of long-term vision. They differ from firms with limited potential, above all, in the lack of a plan on how to escape from this situation. Their products and services are usually outdated, with limited export potential beyond the local market. Firms that do not have goods or services that can be sold in other markets have smaller growth opportunities. Most of all, declining enterprises need basic education in how to run their own businesses, and elementary consulting

that can help expand the range of their products or services (cf. the World Bank (2017b), p. 23). In addition, they would benefit from both improved cooperation at the local level, and from having a platform for dialogue between the small enterprises and the municipal authorities.

According to the adopted classification, the sample included 30% of champions, 40% of stable firms, and 30% of declining firms. We are not attempting to estimate the percentage of firms of a given category in the population of all firms in Włocławek, but it can be assumed that the champions are greatly over-represented in our sample.

2. Firms operate as if they were 'solitary islands'; their cooperation with others in the region is limited to contractors and suppliers

Two-thirds of the interviewed enterprises stated that they cooperated with local firms, but only one-third said they were satisfied with the level of cooperation. Some firms point out a very low level of trust and a general reluctance to mutually support each other in business undertakings. Several firms tried to launch a joint business initiative, but most of the ideas were dropped due to a lack of interest. A positive example of cooperation is the two groups of Business Network International (BNI) in Włocławek, which connect the local SMEs through weekly meetings. Most firms express an interest in expanding their network of contacts and declare a readiness for local cooperation. However, they expect that such cooperation will be initiated and conducted by the local authorities or the economic self-government.

An example that well illustrates the isolation of local firms is the nearly complete lack of cooperation with the large retailer that has its headquarters in Włocławek. The retailer has over 3,000 convenience stores throughout Poland, but none of the firms interviewed attempted to contact this retailer. The local entrepreneurs were unable to build relations and effectively use such a large distribution channel for their sales. Another example is the well-run advertising enterprise in Włocławek, with clients from all regions, but no local ones.

The stable and declining enterprises have the biggest problem with effective networking. Despite declarations on a willingness to cooperate with other firms, these enterprises usually do not take active steps to expand their business network. The absence of openness, or a willingness to be interested in the changing market situation, significantly limits their growth potential. They rarely cooperate with external training or advisory organizations. They often feel that they do not need specific advisory services, even though in the opinion of the Bank's experts they could be profitable for them. Several firms had no long-term business strategy and felt that any help in preparing such a strategy would not be useful for them. Interviews with entrepreneurs largely confirm the results of the research on Polish firms done by the World Bank (2016), where passivity in acquiring information, lack of networking, and little interest in cooperation with the public sector (BSIS, R&D centers) were seen as great barriers to the growth of the firms.

3. Firms are disappointed in the cooperation with the city authorities

One of the most significant conclusions arising from the interviews is that the firms do not believe that the city authorities can help them. The most frequently given reason for refusal to meet World Bank representatives was the lack of conviction that this would help change the municipal policy in any way. Several successful entrepreneurs who have been running their businesses for 20 or even 30 years, conceded that throughout this time no city representative has ever contacted them. No meetings have been organized, and the entrepreneurs have rarely been consulted about municipal decisions.

At the same time, the entrepreneurs do not have a negative opinion of the quality of service provided by the local public offices and inspectorates. The Investor Service Center (ISC) in Włocławek was rated slightly higher than the local tax office or inspectorates, but in all three

areas the result oscillates within the range of a neutral evaluation. In addition, the road infrastructure was usually cited as one of the most positive aspects of activity in the city.

4. In Włocławek there are firms that set their stakes on exports

The surveyed firms are highly active in international markets—nearly 50% of them export their products. This is very different than, for example, the survey of firms in the Świętokrzyskie and Podkarpackie regions, that was conducted during the first edition of the Catching-up Regions Initiative, where only a few exporting firms were identified with the application of a similar methodology of sample selection.¹² Among the exporting firms in Włocławek, the median share of exports in sales is 20%, with great differences existing among firms, where from 5% to 95% of revenue can come from exports.

Institutions in Włocławek do not provide services that support the development of the export capacity of the regional firms. A local BSI, which would connect exporters and allow for an exchange of their experiences, could increase the city's export potential.

5. Difficulties with the recruitment of employees

Problems in the labor market are one of the most often repeated topics of interviews and a great barrier to business growth, according to the entrepreneurs. Two-thirds of employers report problems with the recruitment of workers. The causes are seen mainly in the migration of young people and the most talented people to greater urban centers (mainly to Toruń and Bydgoszcz), as well as the low motivation of the long-term unemployed to become occupationally active. Employers point out that this is reflected in high personnel rotation and difficulties in binding a worker with the firm. The situation is made worse by the poor availability of urban transport, leading to the low mobility of unemployed people without a driving license or a car.

Entrepreneurs noted that Włocławek has a high unemployment rate (above 10%), but a small number of people with a basic readiness for work ('unemployment paradox'). One explanation is the small difference between wages and social benefits. Many SMEs offer only the minimum wage to workers, which is not very attractive in comparison with the high social benefits available. The staff of the District Employment Office (DEO) in Włocławek said that it was very difficult to activate about half of those currently unemployed. Raising wages could perhaps draw new workers, but some firms declare that they have felt the effects of the various rises in the minimum wage over the recent years, and now have no funds to support further pay increases. This could be a sign of low work productivity.

Staff shortages may be filled by foreigners who would like to take up employment in Włocławek. In 2018, the District Employment Office in Włocławek received about 4,000 declarations of the employment of foreign workers, but there is no monitoring of what happens to them later on, in particular, what percentage of them take up employment in the city or its environs. The city does not pursue an active policy in attracting immigrants to come and take up employment in Włocławek. A subsequent step should be the creation of a system that would facilitate their integration and permanent settlement with their families (for example, legal assistance, and language courses).

Another challenge that was reported in the talks with entrepreneurs is generational succession. Part of the skilled workforce that was trained before the political transformation will soon be retiring, and there is no new personnel that can replace them. In addition, some family enterprises have a problem with generational succession due to the emigration of their children from the city. In such a situation, the owners are not thinking about long-term growth, but rather about maintaining the status quo. On the other hand, there have been some cases of firms where the children take over the business from their parents and inject new competencies and energy into the family enterprise.

6. Low skills of the workers

Employers claim that it is difficult to recruit technical workers with secondary, and above all, with higher education. They also point out the weakness of educational institutions in Włocławek. They try to tackle the problem by organizing their own training. As much as 84% of the firms concede that they organize training for workers, but only 25% cooperate with external training institutions or higher-education institutions. Cases of establishing training programs are rare. However, two large firms (Anwil and Wika) are patrons of a class in a vocational school.

Entrepreneurs stress that the city must take on the responsibility of improving the quality of education, particularly vocational education, which is very important in an industrial city. There is no platform that would connect demand with supply in the labor market, that is, an initiative of dialogue and cooperation between the local firms, city authorities, schools, and higher-education institutions. Because of the lack of communication, vocational schools use outdated technologies that do not furnish students with the skills needed in their potential workplaces. One solution is the further development of dual education or on-the-job training, alongside dialogue and cooperation with the business environment in programming and promoting training.

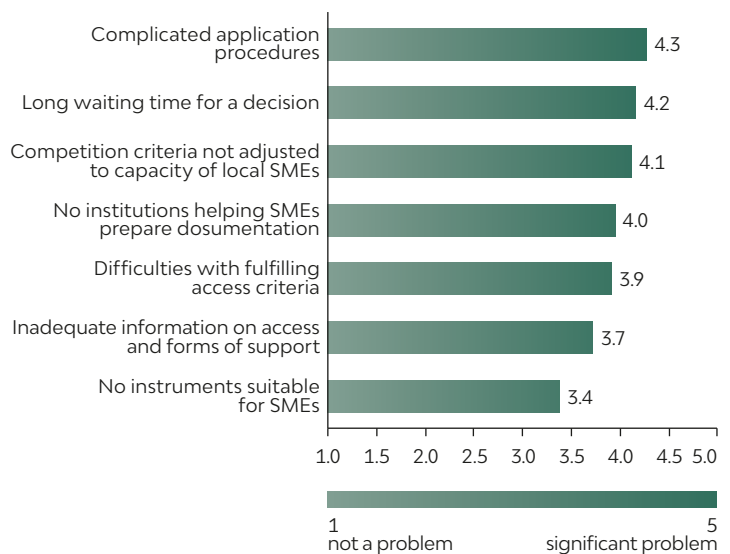
The city is witnessing an increasingly perceptible shortage of people with technical education, particularly when older engineers retire. Firms which operate on a big scale try to recruit engineers from outside of Włocławek, but it is difficult to do so because the city is not perceived as an attractive place to live. One solution could be to provide support for the training of people raised in the region, who feel an attachment to the place and would like to stay or return.

7. Firms are interested in EU funds, but complain that there is no help in applying for them

The vast majority of entrepreneurs interviewed declared an interest in EU funds, but see barriers that hamper their acquisition. The most important problems cited in relation to obtaining co-financing include the complicated application procedures, the long waiting time for a decision, and competition criteria that are not adjusted to the capacity of the local SMEs (see Figure 4). The entrepreneurs say it is difficult to contract a reliable firm that would help in preparing a good application. The most competent firms advising on the application process for EU funds are in Bydgoszcz and in Toruń. This gap is not filled by the Local European Funds Information Point in Włocławek, which supplies information on the programs, but cannot provide any services, or recommend reliable advisors.

The people interviewed often pointed to the high barriers to accessing information about EU funds. There is no reliable institution where they could obtain information on the type of available funds, their usefulness for a given type of economic activity, and the actual chances of obtaining them. The existence of such needs is an opportunity for the Włocławek Business Center, which would offer expert information and advisory services related to EU funds.

FIGURE 4 Problems of entrepreneurs when seeking EU funds

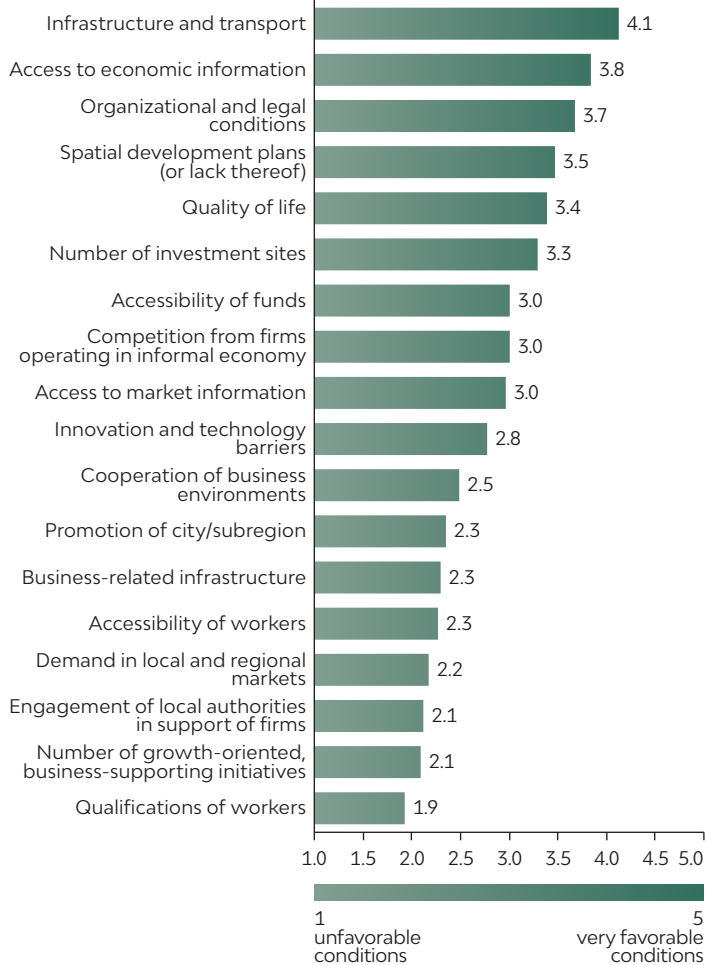


Source: Study based on own research, n= 24.

8. Barriers to growth

The entrepreneurs stated that the greatest barriers to growth were the low skills of workers (see point 6), followed by the small number of growth-oriented initiatives that support business (see Figure 5).¹³ This topic is elaborated in another chapter, devoted to the deficiencies in the business support institutions for firms. The third biggest problem, according to the Włocławek firms, is the lack of engagement by the local authorities in support of firms (see point 3).

FIGURE 5 Favorable and unfavorable factors for growth of firms in Włocławek and its environs



Source: Study based on own research, n= 26.

The fourth issue is the low demand in the local and regional markets. The entrepreneurs indicated that low revenues do not allow them to modernize their machinery and force them to work on older machines that are inefficient, more energy-consuming, and less technically advanced. As a result, they are unable to compete in the national or international market.

Another obstruction to business is the inadequate promotion of the city in the subregion and beyond. During the attempts to set up interviews, the entrepreneurs often expressed unfavorable views about their city, perceived it in a negative way, and saw its future as grim. On the other hand, there were also positive feelings voiced about Włocławek being a good place to live, with many green areas and water reservoirs, a fact not suitably appreciated by others.

A campaign to improve the perception of Włocławek should be based on the city's strengths. Many local firms based in the city manufacture modern machinery, equipment, and other products under their own brand. These products are sold not only in Europe, but in other continents as well. One entrepreneur suggested the creation of a list of products with the 'Made in Włocławek' mark for marketing purposes. A similar measure is being carried out by Toruń, which is resulting in a greater trust by clients in the reliability of firms from the city.¹⁴ This makes the city more recognizable and associated with high quality.

BUSINESS SUPPORT INSTITUTIONS IN WŁOCŁAWEK

In the Włocławek subregion there are eight business support institutions (BSI)¹⁵ and two entrepreneurship incubators. The owner of the Regional Entrepreneurship Incubator is the Kujawsko-Pomorski Loan Fund, while the Włocławek Innovation and Entrepreneurship Incubator is operated by the Municipal Management of Services and Roads in Włocławek, which is a company of the city of Włocławek. Support for external investors is offered by the Pomorska SEZ, the Brzeska Economic Zone, and the Investor Service Center at city hall in Włocławek. The Kujawska Chamber of Industry and Commerce is the oldest chamber of commerce in Włocławek and brings together local firms. The Toruń Regional Development Agency (TRDA) is one of the leading BSIs in the region, while the European Funds Information Point provides information on EU funds.

The offer of services and instruments of local business support institutions is fragmentary, incomplete, and uncoordinated. Each entity carries out specific tasks assigned to it, but there is no broad, comprehensive approach to the support provided for entrepreneurs concerning the development needs of the subregion (see Table 3). There is also no effective network of cooperation between centers, which would enable one BSI to share its competencies with another BSI that lacks them. The deficiencies of the local BSI offer of support cannot be filled with business organizations, NGOs, or private firms.

TABLE 3 Offer of BSIs in Włocławek and subregion

| Business Support Institutions | Workers (locally) | Number of beneficiaries (in 2018) | Loans and guarantees | Basic or advanced consulting services | Training | Development services | Tax breaks or subsidized lease | Business-education cooperation | Networking Business events |
|---|-------------------|-----------------------------------|----------------------|---------------------------------------|----------|----------------------|--------------------------------|--------------------------------|----------------------------|
| Włocławek Innovation and Entrepreneurship Incubator | 3–4 | 43 (27) | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Kujawsko-Pomorski Loan Fund / Regional Entrepreneurship Incubator | 3 | 194 / 17 | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| European Funds Information Point | 3 | ad hoc | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Kujawska Chamber of Industry and Commerce | 1 | approximately 200 | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Investor Service Center | 3 | ad hoc | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Brzeska Economic Zone | 3 | 33 | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Pomorska SEZ | 0 | 5 | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Toruń Regional Development Agency (TRDA) | 0 | n/a | ■ | ■ | ■ | ■ | ■ | ■ | ■ |

■ Provided ■ Is not provided locally or only is provided occasionally ■ Is not provided

Source: own study based on interviews with business environment institutions.

Note: The table only indicates whether the given service is provided. The quality of services was not investigated.

Another problem, apart from dispersion, is the lack of access to key business services in the Włocławek subregion. In Włocławek, there is no entity that provides basic and advanced advisory services for firms, or growth-oriented services. There are also no initiatives that would strengthen the networking of firms and local business cooperation. These are serious deficiencies in the local offer of business support institutions, particularly in comparison with other cities with a smaller or comparable population.

An example of good practice is the offer of the Leszno Business Center (LBC), where representatives of the city of Włocławek and WBC staff went for a study visit (see Box 2). The LBC operates under the ‘one-stop shop’ principle for an entrepreneur. The institution, established by the city of Leszno, provides all of the basic services typical for BSIs (such as those listed in Table 3), as well as many others (for example, export development, preparation of applications for co-financing, innovation audit, and marketing).

The deficiencies in the offer of the local business environment institutions are not being effectively remedied by external centers. A broader range of support could be offered to the Włocławek firms by institutions from outside the subregion, such as the Toruń Regional Development Agency (TRDA) or the Pomorska Special Economic Zone (PSEZ). Because they have no local infrastructure or representatives, in practice, they hardly reach entrepreneurs with their offer, and thus their input in the local business environment is very limited. An exception is the Kujawsko-Pomorski Loan Fund (KPLF), whose local employees actively offer financial instruments. Despite the narrow range of support, in terms of the number of beneficiaries, the KPLF is currently an institution supporting the greatest number of firms in Włocławek.

BOX 2 Leszno Business Center

The Leszno Business Center (LBC) is the leading BSI enhancing entrepreneurship, competitiveness, and innovation in the Leszno subregion.

The institution was established in 2010 by a resolution of the city of Leszno (population of 65,000) in the form of a non-profit limited liability company. The seat of the LBC was financed from the funds of the Wielkopolska ROP for the creation of an entrepreneurship incubator. In the beginning, the institution was co-financed by the city of Leszno, but for several years now it has been operating without any subsidies from the owner. The mission of the center is to stimulate the social and economic development of the city of Leszno. In its activities, the LBC is guided by the 'one-stop shop' principle for the entrepreneur.

The LBC offers a wide range of services for both beginner and mature firms. The offer includes advanced advisory services, such as an innovation audit and the support of exports, as well as such basic services as preparing a business plan or marketing. The center acts as an intermediary in loans and loan guarantees and helps obtain grants from EU funds. After years of garnering experience, the institution successfully acquires and implements projects: the LBC has obtained financing for 20 projects and grants for the total amount of PLN 34 million, and for clients for their 12 projects worth PLN 46 million.

The LBC runs an entrepreneurship incubator and offers support for people interested in starting a business. Within the incubation process, firms are offered the rental of office and production space at preferential rates, as well as advisory and information services. The incubator is financed with revenue from the rental of space (under commercial terms, or with reduced rates for incubated firms), services provided for firms, and EU projects. In addition, it also performs services for the city of Leszno, such as science picnics or the coordination of clusters.

The center is a tool that serves to implement the economic policy of the city. In the beginning, the LBC acted as a moderator of the dialogue on education between business and the municipal authorities, but in 2018, the Marshal Office established a special unit to deal solely with this task.

The center also organizes regular meetings of the various stakeholders in the city for the purpose of coordinating activities. The LBC also performs functions related to services for the investor, and promotes entrepreneurship among young people.

In the opinion of the LBC chairperson, the key to success of each BSI is competent staff and networking. The center began operating in 2010, with only two employees. Today it has a staff of seven people providing specialist business services. The staff acquired competencies through participation in EU projects dedicated to improving the skills of BSI employees, as well as the implementation of new services. The LBC cooperates with other BSIs, exchanging experience and knowledge.

In the beginning, a great challenge for the LBC was to reach entrepreneurs with information and to demonstrate to them that such an institution may be helpful. To do this, it is necessary to have a consistent communication strategy and to maintain a high quality of services. A continuous challenge for each BSI is raising the level of the employees' qualifications within the limited remuneration possibilities. A desire to specialize in writing applications for co-financing for its own and for clients' projects provided the impetus for the development of the LBC. When the local media started to publicize the successes of the firms cooperating with the center, it became easier for other entrepreneurs to place their trust in the new institution.

None of the existing entities is making efforts to thoroughly investigate and satisfy the demand for business support services. The reasons for this are mostly structural: there is no internal capacity of institutions, or incentives for employees, to actively broaden the offer and to seek clients. The result is low recognizability of the local and regional BSIs, poor adjustment of their offer, and a narrow range of beneficiaries of their services.

Perception of BSIs among entrepreneurs

The interviewed entrepreneurs, for the most part, did not know the local business support institutions, and if they did, they deemed their offers inadequate and unhelpful. Most of the firms that took part in the survey were unable to name any local BSIs and did not know the services they provide. Only about 30% of the participating firms had used their services or took part in events organized by them. Given the sample selection, we can suspect that the proportion is much smaller. Even when the entrepreneurs had heard about certain BSIs, they had a feeling that they were only involved in a very narrow segment of business support. For example, entrepreneurs usually did not know how the local entrepreneurship incubators function. Those who were aware of them considered them to be passive institutions that only rent office space. The reasons for the firms' low interest may be the BSIs' weak business offers, as well as their poor promotion of their support services. For example, many entrepreneurs declared that they needed skilled workers, but only 11% of them had heard of the possibility of developing the competencies of their workers within the Growth Services Database (GSD) of the BSIs.¹⁶

Entrepreneurs expect to see a more active attitude by the city in the economic policy domain, but are discouraged by the poor organization they have seen and the negative experiences they have had. The questioned entrepreneurs had no problem listing many functions that could be better supported by the city, but they felt that it was unrealistic to expect these functions to be implemented. They were convinced of the passivity of the local government in this field and were pessimistic about any future improvement due to the limited dialogue between the government and the local business community. As an example of the poor level of the city's initiatives, they cited the Economic Council of the mayor of the city of Włocławek, which convened several times. In the opinion of the entrepreneurs, these meetings had no visible effect on the city's economic policy. However, the passivity is not confined to just the city officials. There is a visible lack of activity by some of the local firms in organizing local initiatives and only limited efforts by the local economic self-government in that direction.

Expectations toward BSIs in Włocławek

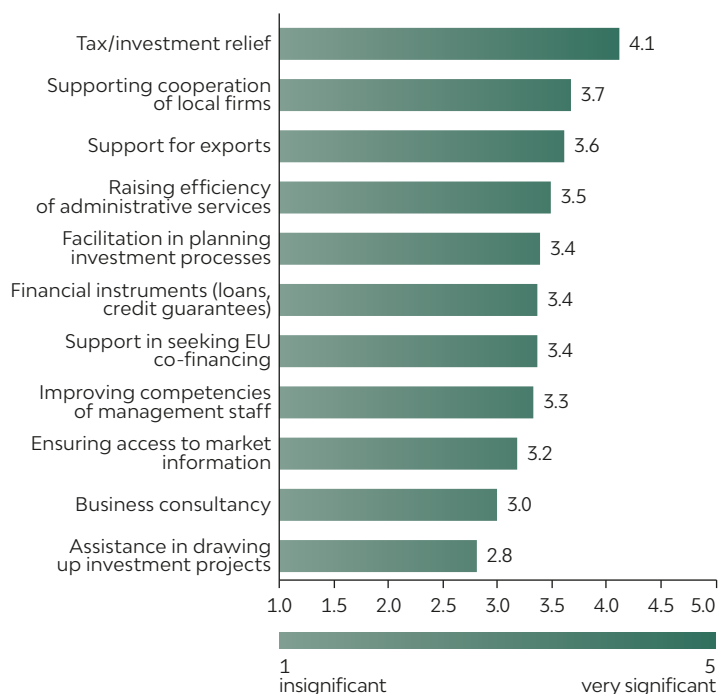
The interviewed firms agree that cooperation with other firms is a very important growth factor. Help in building up the cooperation between the local firms was considered to be the second most important form of business support (see Figure 6). The existing low networking prevents a deepening of relations and the proper transfer of information between firms. In fact, most enterprises declare no affiliation to the economic self-government. Further information about how firms feel like 'solitary islands' can be found in the preceding chapter (see point 2).

The firms also expect that the administrative services will be improved in the city and support for new investments will be increased. Entrepreneurs often pointed out that the city's offer for investors who wish to develop in Włocławek is narrow and should be expanded to include tax breaks and support in finding premises or investment areas. They also observed that in some of the adjacent municipalities, services are much more efficient than in Włocławek.

To improve the ratings of the BSIs' activities, a key factor appears to be an increase in the number of business-oriented initiatives, and the improvement of their quality and promotion. Employers claimed that no such events ever took place, or that they were never informed about them. At times, information meetings were organized independently by individual BSIs (for example, about changes in the law). However, such meetings were perceived as unattractive, merely serving to fill the program minimum. An example of a successful initiative was the meeting about the General Data Protection Regulation (GDPR) that was organized by the TRDA and gathered over a hundred interested entrepreneurs. The organization of meetings on topics of interest to entrepreneurs combined with suitable networking may be an effective tool for activating the business community and promoting the WBC offer.

The interviewed firms indicate that the city has a bad reputation which deepens its demographic and economic problems. An important element of the business environment that was pointed out was the disparity between the image of the city on the outside and its perception by the residents themselves. Most entrepreneurs cited the need to build a positive image for

FIGURE 6 The most important forms of support according to entrepreneurs



Source: Based on own research, n=22.

the city. City hall should carry out a campaign in a continuous and coordinated manner that incorporates the local BSIs and the media. The entrepreneurs offered several examples of such activities: the promotion of business successes, a professional image campaign for the city, initiatives addressed to children and young people, the promotion of local entrepreneurship and the labor market, and building a sense of pride in their city.

FIGURE 7 The most useful BSI services according to surveyed entrepreneurs



Source: Based on own research, n=18.

Entrepreneurs from our sample felt that the most desirable of the BSI services are specialist training and advisory services, as well as help in acquiring external financing and EU funds (see Figure 7). Currently, the institutions supporting entrepreneurship in Włocławek do not offer such services, thus confirming that their offers are not adjusted to the market needs. However, it should be noted that the need for the above services was expressed by more mature firms (such firms were in the majority in the sample) that have different needs than young firms. Some firms (particularly those with dim prospects for growth) do not see their limitations and consequently do not seek services that could overcome them. This may explain why BSI services were rated as only moderately useful. This perception is a challenge for the WBC that will need to change the attitude of the firms and convince them to open up to the benefits of consultancy.

CHAPTER 2

**WŁOCŁAWEK FOCUSES
ON ENTREPRENEURS:
STRENGTHENING THE LOCAL
BUSINESS ENVIRONMENT**

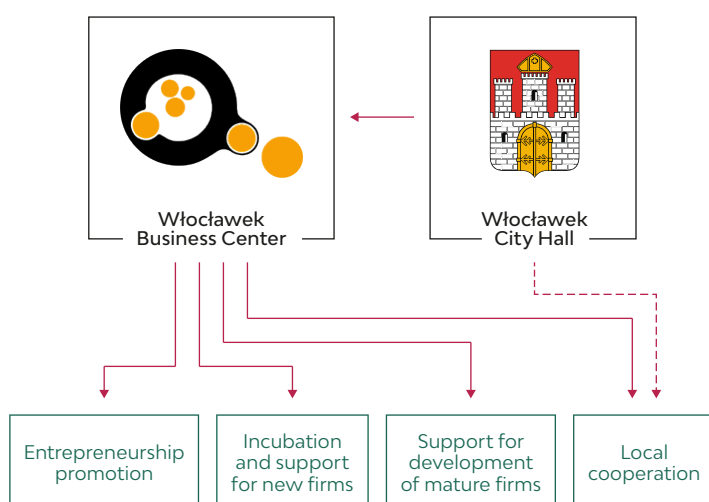
'ONE-STOP SHOP FOR BUSINESS' — THE WŁOCŁAWEK BUSINESS CENTER

An analysis of the social and economic situation of Włocławek showed the need for public intervention in the field of support for economic development. The social and economic challenges confronting the city call for a more active approach to economic policy. One of the tools used by local governments to implement the objectives of the local economic policy is business support institutions. The analysis carried out in the project showed there are considerable functional deficiencies in the business environment of Włocławek. The scope of operation of the business support institutions present in the Włocławek ecosystem only meets the needs of entrepreneurs to a limited extent. Under the project, it is proposed that an institution would be established with the mission to stimulate entrepreneurship and strengthen the competitiveness of the firms in the Włocławek functional urban area. The new center would be established through the transformation of the existing Włocławek Innovation and Entrepreneurship Incubator, thereby putting at its disposal from the very beginning, the necessary infrastructure to carry out its entrusted tasks. To reflect the considerable expansion of functions in the new entity, in comparison to those of the existing incubator, the working name Włocławek Business Center (WBC) was adopted for the project.

Expansion and consolidation of the offer of the Włocławek business environment is needed based on the principle of a 'one-stop shop' for business. Action is to be taken at three levels:

1. Improvement of the local offer of support for firms by independently providing new services not offered by other institutions
2. Enhancement of cooperation and intermediation in offering complementary services by other local and regional business environment institutions
3. Moderating of dialogue and cooperation in areas remaining under the auspices of local government authorities and the school system

FIGURE 8 Scope of activities of the WBC



Source: Own study.

The Włocławek Business Center should become a vehicle for adapting the city's economic policy to the needs of the local market. Proposals for specific tasks for the new institution were worked out in workshops with the participation of representatives of local authorities and local BSIs, as well as in dialogue with entrepreneurs and their unions (see Figure 8). Based on these proposals, experts of the World Bank prepared a draft for the scope of activities of the WBC, covering four priority areas:

1. Incubation of new firms
2. Support for the growth of mature firms
3. Promotion of entrepreneurship among residents
4. Strengthening of dialogue between the local government authorities and the business environment

These areas of focus are a response to the deficiencies of the local business environment identified in Chapter 1, and the examined needs and barriers to the growth of the local firms.

The quality and effectiveness of the business environment institutions established by the self-governments is quite diverse. Therefore, it is necessary to match the scope of their activities to local needs, and to take into account the organizational, legal, and financial conditions that determine the success of such an institution (Chapter 3).

AREAS OF ACTIVITY OF THE WBC

1. Incubation and support for new firms

Incubation programs are a widely used tool for strengthening entrepreneurship. Incubators are an aid measure where infrastructure and consultancy are offered to potential and beginner entrepreneurs, with an eye toward the acceleration of their growth through a comprehensive program of business support. Incubators have been a tool frequently used by the public sector to support entrepreneurship and to speed up local economic growth over the past 30 years in Poland. The authorities of Włocławek made use of this form (with the support of funds from the Regional Operational Program) to start the Włocławek Innovation and Entrepreneurship Incubator in 2011, and the board of the Kujawsko-Pomorskie Region made use of the same aid format when it launched the Regional Entrepreneurship Incubator in Włocławek in 2016, through the Kujawsko-Pomorski Loan Fund.

The scale and scope of the incubation program should correspond to the challenges of the local situation. The negative demographic and social challenges currently faced by Włocławek may worsen in the coming years, if there is no effective intervention. There are several factors that have contributed to the present situation: relatively few new firms are being established in the city; there are no strongly developed entrepreneurship traditions, due to the domination of large enterprises; and there is inadequate business-related infrastructure. All these factors are grounds for offering a broad range of incubation support in Włocławek.

Effective incubation programs are comprehensive, phased, and limited in time. The substantive offer should focus on providing advice to young enterprises, in order to lower the rate of failure of firms in the early stages of development, and to speed up their growth. An incubator should carry out three types of activities that complement the incubation phases: i) pre-incubation—support in starting the firm at the stage of refining the business idea; ii) incubation—support during start-up; and iii) post-incubation—support in the marketization process (see Box 4). Incubation should be limited in time.

The Włocławek incubators (municipal and regional) fulfill the above conditions only in a rudimentary fashion. Support at the stage of pre-incubation and post-incubation is still not offered at all, and firms are only supported during the start-up stage through the subsidized

BOX 3 Good practices in incubation and post-incubation—the custodians of firms in the Poznań Science and Technology Park (PSTP)

Following research on the satisfaction of the tenants of the Poznań Science and Technology Park, the need to improve the quality and scope of services for the tenants was identified. As a result, the new position of ‘custodians of firms’ was created. These individuals are engaged in supporting newly created firms (at the stage of incubation), as well as mature firms (post-incubation stage). The custodians accompany the firms from the moment of the submission of an application, through the period of their stay in the park, and the completion of the cooperation between them.

A custodian is assigned to a specific enterprise throughout its stay in the park, and has the following responsibilities:

- Organizing advisory services and business support services (meetings with advisors and so on)
- Providing advisory services within the areas that conform to the custodian’s competencies
- Holding regular meetings with the firm and maintaining informal communication
- Preparing informal meetings and initiatives for the firm
- Carrying out an annual evaluation of the incubated firm
- Surveying the needs of the tenant, and its satisfaction with the services of the PSTP

The custodians of firms have soft competencies and knowledge in economics, management, and human resources.

BOX 4 Good practices in incubation

National and international good practices in incubation activities point to three types of activities carried out by BSIs that target originators and young firms:

1. Pre-incubation: activities addressed to potential entrepreneurs
Above all, the support covers the development of business concepts, business models, and business plans. The purpose of this support is to increase the chances of the originators actually starting a business. Typical services include: training of the future entrepreneur, a preliminary evaluation of the business idea, and advisory services in preparing a business model.

2. Incubation: activities addressed to firms starting activity
During incubation, a firm can count on infrastructure support (access to offices, laboratories, workshops and prototype workshops) and advisory support in the form of training, individual consultations and coaching in e.g. how to prepare a sales strategy, teambuilding, preparation for seeking investors, seeking financing sources, protection of intellectual property rights. The length of this phase may vary in accordance with the character of the activity, but usually lasts from three to five years.

3. Post-incubation: activities supporting enterprises that have attained financial independence
While an enterprise in this situation is capable of operating without external support, post-incubation services can help it develop faster. These services include support for increasing sales, improvement of production processes, internationalization, introducing innovation and access to capital. The activities described in the part "Supporting growth of mature firms" may be addressed to this group.

Source: own study on the basis of: Rice, Matthews (1995); Matusiak (2011); Guliński, Zasiadły (2005).

rental of office and production space for a limited time. Substantive support for entrepreneurs is virtually non-existent, though they are included in the regulations and incubation agreement.

An optimal incubation program for Włocławek should address the selected local challenges and should be modelled on best practices (see Table 4). The WBC should implement the following objectives of incubation and support for new firms:

- Ensuring access to knowledge on how to establish and run a business in the initial phase of development, and access to financial and grant instruments for future/young entrepreneurs
- Improving chances for the business success of new firms by providing the support of experienced entrepreneurs (mentoring)
- Making available office space for young or new entrepreneurs on preferential terms, and expanding the available premises, resulting in the indirect benefit of the revitalization of neglected areas

TABLE 4 Recommended scope of the activities of the WBC in incubation and support for young firms

| | |
|------------------------|--|
| Pre-incubation | <p>Preparation by the WBC of its offer and the provision of basic advisory services supporting individuals who wish to start a business</p> <p>Preparation by the WBC of advisory and training services in how to: start a business, prepare a business model, client profile, and so on. The offer should not be a copy of services provided by other entities</p> <hr/> <p>List of available financial and grant instruments for new firms</p> <p>Gather and systematize knowledge on available financial and grant instruments for new firms, such as loans, grants, bank guarantees, and others</p> |
| Incubation | <p>Make available office space and substantive support for newly established enterprises</p> <p>Provide young firms with opportunities to take part in the incubation program, such as: the use of office, storage, and production space; access to advisory and training services in the field of running and developing a business; preparation of an individual incubation plan for a firm; and regular meetings monitoring its growth and attainment of the established milestones</p> <hr/> <p>Organization of a dispersed incubator</p> <p>Preparation of a broad infrastructure offer for young entrepreneurs opening a business in Włocławek but not using the offices and warehouses of the WBC. The offer of services would include: substantive support, the incorporation of newly established firms into a community animated by the WBC, and ensuring preferential terms for young firms in renting existing premises in the municipal resources</p> <hr/> <p>Establishment and operation of a young entrepreneur academy</p> <p>Animating the community of incubated firms, and firms newly established outside the incubator. Organization by the WBC of regular meetings and joint training in the fields of: marketing, sales techniques, growth strategy, entering new markets and implementing new products, communication and team building, and so on</p> |
| Post-incubation | <p>Building links between young and mature firms</p> <p>Organizing a network of mentors, monitoring networking events in the city, encouraging young firms to take part in them, and putting to use the knowledge of experienced entrepreneurs</p> |

Source: Own study.

BOX 5 Incubation and services for firms—an example of the effective operation of a BSI

In 2016, a newly established firm making injection molds, tools, and prototypes for the automotive and electronic industry, RTV equipment, and other products, became a tenant of the Entrepreneurship Incubator in Leszno, run by the Leszno Business Center (LBC).

In the first year, an incubation plan was prepared under which the firm made use of the pilot services of the LBC in the field of the protection of intellectual property and innovation audit. The prepared reports contained recommendations for further activities and listed the possible sources for financing them from EU funds. The firm also received email information from the LBC on financing sources, an individual offer of support prepared for the needs of the firm, and was invited to general information meetings.

In the second year of incubation, the firm commissioned the LBC to prepare an application for co-financing from the Wielkopolskie ROP (WROP) 2014–2020 within measure 1.2, “Strengthening the innovative potential of Wielkopolska’s enterprises.” The project consisted of the establishment of an R&D center and the conduct of R&D work in it for the needs of the firm. Under its task, the LBC prepared an application for co-financing, a feasibility study, and a plan for R&D work. The total cost of the project was PLN 1.2 million, where co-financing of PLN 837,000 was obtained. Encouraged by this success, the firm submitted another application for co-financing a project from WROP, which will enable the implementation of innovation in its processes and products. The tool room will be supplied with modern electro-erosion machines working together with specialist 3D design software. The LBC formally carries out and services the settlement of both projects, in accordance with the WROP requirements.

After three years, the firm’s incubation period ended. The firm is finalizing the construction of its own headquarters in the local investment zone, and within a few months will be leaving the Entrepreneurship Incubator in Leszno.

2. Supporting growth of mature firms

Supporting the activity and growth of mature enterprises improves their chances for a lasting impact on the local economy. The support may help increase the number of stable workplaces or provide tax revenue. Providing favorable conditions as well as active stimulation of local firms toward further development is an important element of economic policy in a post-industrial city.

In Włocławek there is a relatively large group of firms, including firms with foreign capital, that could benefit from WBC support. Włocławek enterprises operating in technologically advanced sectors (such as electronics, robotics, precision mechanics, and chemistry) have good growth potential that could be supported with specialist services. These are firms that are considered champions, with a specific strategy and investment in R&D. They are potential recipients of more complex advisory services (including pro-innovation services) and are ready to pay for them, on the condition that they seem worthwhile for their enterprise.

Mature firms expect quality support services provided by the consultants of the business environment institutions. They want to have easy access to consultants, flexibility of operation, fast response to a reported need, and a high quality of provided services. Cooperation with such a client requires a long-term approach based on trust. When advisory services are offered by business environment institutions not set on maximizing profits, the accessibility of these services improves, and a greater

BOX 6 Support for mature firms—two examples of an effective BSI-firm relationship

1. Transforming a small local firm into a supplier of technologically advanced components for international manufacturers of specialist machinery

A small local firm in the metal industry, offering simple and not very competitive products, managed in a traditional way by two partners, was joined by their sons. Equipped with modern technical and business knowledge, the sons decided to introduce radical changes in the firm. They turned to the local BSI for help in building an advisory and training program. A short- and long-term strategy for the firm’s growth was drawn up, followed by an investment plan to modernize the production facility. The next step was to implement a comprehensive training and consultancy program in the firm, which helped to improve the work of personnel and remodel the production processes. The sons’ knowledge about process optimization, and project management and controlling, contributed to the creation of tools and the motivation necessary to take up challenges and embark on continuing education.

At the same time, BSI advisory services were performed to obtain co-financing for a large investment project consisting of the purchase of a modern production line and the construction of a new facility. In cooperation with research centers and the AGH University of Science and Technology in Kraków, a research program was also developed, resulting in the creation of a new model for one of the manufactured components, allowing for a 30% reduction in its weight, thereby lowering the use of materials and energy, as well as transportation costs.

In all, over PLN 15 million was obtained in grants for projects worth over PLN 40 million. Currently the firm is building another computer numerical control (CNC) machining facility, this time with its own funds. According to the firm, it would not have been possible to achieve such re-

sults without the professional support offered by BSI staff from the regional chamber of commerce in all phases of the project.

2. Introduction of a new product thanks to science-business cooperation

A firm from the metal sector that does repairs of forms for the production of car windows for a large automotive supplier reported an interest to the local chamber of commerce. For a long time, the firm unsuccessfully tried to manufacture such forms independently, but was unable to achieve the required quality of parameters related to great temperature changes in the production process. To solve this problem, the chamber of commerce matched the firm with a scientist from the Szczecin University of Technology. A team was formed, and an innovative solution was developed, enabling the firm to start its own independent production of forms.

The research work was financed from EU funds within a pro-growth service provided by the chamber. Thanks to the professional support of the local chamber of commerce at successive stages of this process, the firm changed from a supplier of repair services to a manufacturer of ready forms and a regular supplier for an international corporation, expanding the portfolio of its services and products. In the next step, the firm expanded its production capacity and established an ongoing collaboration with the scientist on the basis of a commercial contract.

range of clients can be reached, particularly firms with limited potential, which benefit the most from this support.

The WCB should address the needs of mature firms whose growth is hampered by external factors and internal limitations. The main challenge for mature firms is their limited development competencies (low awareness of the need for growth and of their own limitations, lack of positive experience in using external support, concentration on maintaining the status quo, and other factors). This is linked with a low use of external financing, including EU funds, and an inability and unwillingness to improve innovation and cooperation with scientific centers. In addition, there are greater difficulties with the recruitment of workers, and a very limited cooperation of firms on the local level. In all these areas, the WBC can offer support and provide inspiration for further development. In the case of external limita-

tions resulting from the specific character of the Włocławek business environment, the WBC should adopt a role as mediator in resolving these problems.

Manufacturing firms will need professional support in the modernization of their production processes and automation. The difficulties in the recruitment of workers further increase the pressure to raise production efficiency and modernize internal processes. Achievement of a higher efficiency level requires comprehensive support in various areas concerning technology, preparation of an investment project, and the management and preparation of workers for the implementation of the new solutions. The continuing growth of local production firms, particularly those with limited potential, largely depends on the availability of specialist external support in this process.

The activities of the WBC addressed to the group of mature firms should, above all, aim at facilitating access to information on the growth possibilities, and the organization of conferences, workshops and information meetings around which networking can develop. In addition, activities should be focused on providing support to the local investors already operating in Włocławek in the form of growth and advisory services, with training to improve the skills of the workers in the firms, as well as activities to stimulate the inflow of workers to the local economy and to new firms investing in the Włocławek functional urban area.

The support offered for mature firms should be diverse and comprehensive, taking into account the specific character of the firms and the different phases of their development (see Table 5). The needs and barriers of firms with market experience are different from the needs of incubated enterprises. They are also not homogeneous: some would prefer specialist services (such as support for exports) and pro-active services designed for investors (the champions); others would benefit most from training to improve their management skills and to help build growth strategies (stable firms); and still others need basic consultancy on how to run their own business (declining firms).

As a target goal, the WBC should offer advanced services for firms in the sphere of matching firms and R&D cooperation. Offering more advanced forms of support in networking and innovation will be possible only with the participation of a more experienced WBC team and a well-developed network of contacts and clients. The WBC can achieve the ability to offer such services through networking with similar institutions (such as Enterprise Europe Network) or by forming partnerships with stronger BSIs.

TABLE 5 Recommended scope of activities of the WBC in the field of support for the growth of mature firms

| | |
|--|--|
| Specialist training and business consultancy | <ul style="list-style-type: none"> • Researching the growth needs of firms • Preparation of a catalog of growth services which is viable and expands gradually to offering specialist services: innovation promotion, project management, production optimization, implementation of new technologies, automation, R&D cooperation, protection of intellectual property, internationalization, and so on • Building a network of cooperation of external experts |
| Support for firms in obtaining external financing (including EU funds) for investments, training, internationalization, and R&D projects | <ul style="list-style-type: none"> • Information and promotion activities about current competitions, and the forms of support available to local firms (mailing, website, media, and others) • Organization of information meetings and workshops on EU funds and repayable instruments, as well as advisory support in the preparation of application documents and in drawing up projects • Assistance for firms in project settlement. Improving the competencies of workers in the WBC in the preparation of applications for co-financing |
| ISC support in services for external and local investor | <ul style="list-style-type: none"> • Cooperation with the Investor Service Center (ISC) in preparing an attractive offer for local investors • Organizing information meetings |
| Advanced services (to be implemented in a subsequent phase) | <ul style="list-style-type: none"> • Matching large firms with local SMEs in value chains • Services related to R&D cooperation, matching firms with researchers and research centers |

Source: Own study.

3. Promoting entrepreneurship among young residents

The European Commission (2013) considers increasing the number of entrepreneurs as one of the most important factors that contributes to economic growth. New enterprises (particularly SMEs) are the most important source of new jobs in Europe, but recently there has been a drop in the number of people choosing self-employment over a salaried job. This negative trend can be addressed directly at the local government level by actively promoting entrepreneurship among its young residents. The EC points to education as a major channel that can strengthen the entrepreneurial mindset among young people.

So far, promotion of entrepreneurship in Włocławek has been limited to conducting classes in the basics of entrepreneurship. Fulfilling just the minimum curriculum in schools is inadequate under the conditions of a post-industrial city with little craft and entrepreneurial traditions. In Włocławek, there were no additional activities organized by the educational institutions, or by other public administration bodies, that could foster promotion activities. The WBC is an opportunity for the city to actively promote the entrepreneurial spirit among the residents. Such activities would conform to the conclusions of the Organization for Economic Cooperation and Development (OECD) report (2015) that recommended further education in entrepreneurship and the fostering of an entrepreneurial attitude among children and young people.

Włocławek should place a greater emphasis on promoting an entrepreneurial mindset (see Table 6). With the declining number of new firms and the intense emigration of young people, the city's development policy should place a strong emphasis on stimulating an entrepreneurial attitude among young people and support the creation of attractive jobs. Promotion of entrepreneurship in the city should aim at showing the younger generation the realities of running a business and gaining a basic orientation in the local business environment.

TABLE 6 Recommended scope of activities of the WBC in the field of entrepreneurship promotion

| | |
|---|---|
| Annual Business Idea Competition in all local schools | <p>Preparation of a competition framework for two groups: i) for school and college students composed of a conceptual part, where students suggest an idea for a new business and prepare a business plan; and ii) for future entrepreneurs, where prizes are awarded to individuals who prepare a business plan that will be implemented</p> <p>Engaging various stakeholders in carrying out the competition, for example, the Department of Education of Włocławek City Hall, the Higher Vocational State School (HVSS), and the chamber of commerce</p> <p>Finding sponsors among entrepreneurs who could raise the attractiveness of the competition by providing prizes</p> |
|---|---|

| | |
|--|--|
| Study of an entrepreneurial mindset in secondary and higher-education schools | Conducting an annual survey among school and college students. The survey is to investigate whether young people are considering choosing entrepreneurship as a career, what keeps them from doing so, and how this choice can be made easier for them Preparation of recommendations for city hall based on the survey findings, implementation of these recommendations with the cooperation of the Department of Education, schools, and the WBC |
| Workshops for children and young people | Organization of day camps for children with entrepreneurship or programming lessons Organization of events commissioned by city hall, such as enterprise picnics or days. This is a way of creating the WBC brand as a place of business support |
| Building a database of mentors | Building a database of entrepreneurs who want to share their experience as volunteer mentors Preparation of workshops with entrepreneurs for teachers of entrepreneurship, to help them conduct lessons in a more practical and interesting way, and to lead to the development of other joint initiatives Inclusion of entrepreneurs as role models in inspiring lessons on entrepreneurship and in extra-curricular events that promote entrepreneurship |

Source: Own study.

The above activities will help actualize the entrepreneurial potential of Włocławek's young residents. These activities have three main objectives. First, they foster the entrepreneurial mindset in the younger generation. Second, they help identify the barriers to starting a business in Włocławek. The acquired knowledge can serve the WBC in formulating recommendations to various Włocławek City Hall departments, particularly the Department of Education. Third, they help build the WBC brand, disseminate information on the services of the center, and promote it among students and the entrepreneurs themselves, while at the same time reaching the parents as well.

BOX 7 Promoting entrepreneurship—good practices: business idea competition

The competition has been organized for 10 years by the Leszno Business Center and targets creative and entrepreneurial individuals. With the help of experts, the participants prepare business plans for their undertakings, which are then evaluated by a committee.

The Business Idea Competition has five objectives:

- Popularizing the entrepreneurial mindset among young residents of the city
- Substantive support of individuals who wish to start a business
- Transferring knowledge on the effective operation and development of a business
- Stimulating the establishment of new firms in the city of Leszno and the Leszno District
- Promotion of the city and the local business community

Organization of the 10th edition was divided into five stages:

1. **Acquiring sponsors among local firms** (July – September). In recent years the competition has been sponsored by about 30 firms and the pool of prizes has totaled over PLN 45,000. The condition for collecting prizes in the practical category is starting a business.
2. **Promotion of the competition** (September – October). The competition is promoted in secondary schools and the higher-education schools of Leszno during courses on the basics of entrepreneurship. There are also meetings for interested students, during which incubator staff explain the rules and answer questions. The event is advertised on all the communication channels of the LBC, city hall, partner institutions, and the local media.
3. **Training in the 'ABCs of Entrepreneurship'** (November). The participants obtain free expert assistance in drawing up a business plan, and can take part in a free training cycle covering such topics as: the registration of a business; selection of a legal form, taxation form, and a business model; preparation of a business plan; the obligations of the employer towards the ZUS (Social Insurance Institution) and employees; and communication, presentation, marketing, and creative thinking. In addition, at any moment, the participants can benefit from free advisory services and consult with experts about their business plan.
4. **Acceptance and evaluation of competition works** (December – January). In the 10th edition of the competition, 55 projects were submitted. These were evaluated by a committee composed of the LBC President and external experts from cooperating firms and institutions.
5. **Gala summing up of the Business Idea Competition** (February). During the gala, prizes, distinctions, and certificates of completion for the training in the ABCs of Entrepreneurship program were awarded. Each gala was graced with an inspiring address by a known local entrepreneur who shared his experience. Over the years, the gala has become an important local event.

Entrepreneurs who have unique, practical business knowledge and can effectively inspire young people will play a significant role in the activities of the WBC. The municipal authorities have been already cooperating with certain entrepreneurs who wish to be involved in the life of the local community. The creation of a database of experienced individuals who own a business and are willing to volunteer as mentors would provide an exceptional resource for teaching students about the realities of running their own business. In order to engage as many entrepreneurs as possible, a professional organization is needed that will have clear rules of involvement, flexibility, and a diversity of forms for the participation of the entrepreneurs, and that will also strive to make the best use of the volunteer input. The anticipated positive experiences of the entrepreneurs involved in the first projects will lead to the gradual expansion of the database of mentors, as well as the scope of the joint initiatives.

4. Strengthening dialogue of the local government authorities with the business environment

The lack of cooperation between the municipal authorities and the entrepreneurs creates a negative picture of Włocławek and its developmental prospects. Most entrepreneurs with

whom the World Bank experts talked said that the city should assume the leading role in creating a positive image of the city and a favorable business climate. The entrepreneurs expect an in-depth dialogue between the business community and the local authorities, as well as an increase in the number and effectiveness of the pro-development initiatives. It is to be noted that past activities to promote and build the city's image usually took the form of one-time campaigns with a limited range and scale, thereby failing to build a convincing message or change the negative image of the city.

A key factor that may improve the situation in Włocławek is cooperation between the authorities, the business environment, the administration, and the system of education. As a new vehicle for economic policy, the WBC will create the foundation for effective dialogue and will moderate the communication between the different parties (see Table 7). One of the tasks of the WBC should be to better coordinate the activities and enliven the cooperation of the local BSIs in order to formulate a more cohesive offer of business support.

The added value of the WBC is revealed in its role as a moderator of debates on topics of primary importance to entrepreneurs and issues crucial to local economic growth. On achieving organizational and technical maturity, the WBC will be in a good position to organize such dialogue. Thanks to its wide-ranging activities, the WBC will be well placed in the local business community and properly oriented to its needs, thereby making it better prepared to conduct

BOX 8 Reaching local firms with the BSI offer—good practices

The Leszno Business Center, as a municipal business support institution, has a limited budget for the promotion of its activities and to reach local firms with its offer. Over the years, the LBC has developed a communication strategy that uses the most effective channels for reaching the client.

1. Internet: The full offer of the company can be found on their frequently updated websites: www.lcb.leszno.pl and www.inkubator.leszno.pl. The LBC regularly publishes the most recent information and activities in social media, runs an entrepreneurship incubator profile on Facebook, and sends out mailing campaigns to the newsletter subscribers and clients who have expressed their interest and consent to receive these mailings. The company staff keep a database of the clients and their needs, enabling the profiling of the news they send.
2. Events: During various events, the LBC uses promotional material (flyers, posters, business cards, presentations, roll-ups, and stand-up displays) with a coherent visual identification corresponding to the website graphics. The staff promotes the LBC during trainings organized for students, other people interested in starting a business, and entrepreneurs.
3. Public offices, institutions: The LBC also uses the communication channels of the city of Leszno and surrounding municipalities: placing information at www.leszno.pl, under the insert: 'News of the City of Leszno' in the local Gazeta ABC; placing flyers and posters in municipal offices and other institutions. To reach new entrepreneurs, the offer of the entrepreneurship incubator is sent out, with a congratulatory letter from the mayor of the city of Leszno, to each newly registered firm. The LBC also cooperates with other business support institutions, informing each other of activities in their communication channels.
4. Media: When organizing particularly important events, press conferences are held with the participation of the local media. At times, the LBC buys paid sponsored posts on Facebook and advertisements on the local radio, or the elka.pl website.

Regular surveys are conducted among clients, using questionnaires to evaluate training, service cards, and recruitment forms. These surveys help in the selection of the most effective channel for reaching clients.

dialogue with businesses than the individual organizational cells of city hall, or any other institution. And finally, the WBC will enable local cooperation in areas which remain without a visible leader, due to the multitude of entities. The main areas for potential cooperation include:

- The local economic policy, including promotion of entrepreneurship and the offer of support for local firms
- Education and raising the skill levels of employees
- Building a positive image of Włocławek outside of the city, as well as among its residents

TABLE 7 Recommended scope of activities of the WBC in strengthening the dialogue between the local government authorities and the business environment

| | |
|---|---|
| Regular meetings of local BSIs and city hall | <ul style="list-style-type: none"> • Organization of regular meetings of the BSI representatives, the Marshal Office, and city hall for the purpose of exchanging information, coordinating the plan of work, and forming joint initiatives • Writing down decisions and monitoring their implementation |
| Semi-formal meetings of entrepreneurs with the mayor | <ul style="list-style-type: none"> • Organization of meetings, selection of participants, ensuring implementation of any decisions • Spreading information about the WBC offer during meetings |
| Cooperation of entrepreneurs with secondary schools and higher-education institutions | <ul style="list-style-type: none"> • Promotion of dual training and the coordination of thematic teams • Proposing forms of business-education dialogue/cooperation convenient for local SMEs • Conducting an analysis of the demand for workers among local firms and potential external investors • Preparing strategies for the promotion of technical education in the local media with the participation of firms. Promoting education that matches the needs of the local employers, in the media and in fairs, before the recruitment period of schools begins |
| Support for WBC promotion | <ul style="list-style-type: none"> • Preparation of the offer and information material • Promotion of the WBC as an institution offering professional support for entrepreneurs • Ongoing cooperation with the local media |
| Promotion of a positive image of Włocławek | <ul style="list-style-type: none"> • Promotion of the business successes of Włocławek, for example, awarding prizes for the best local entrepreneurs • Promotion of the 'Made in Włocławek' economic brand |

Source: Own study.

A key task for the WBC is to strengthen dialogue in the field of education. Entrepreneurs consider the difficulties with the recruitment of qualified workers to be the greatest barrier in running a business in Włocławek. Several firms even said outright that this is the basic factor holding back their growth. In their opinion, the workforce shortages and the insufficient qualifications of workers are the consequence of the poor adjustment of the educational content and methods in the primary schools and higher-education institutions to the local market. To change this situation, the WBC should become a moderator in a two-way communication on how to improve education in the city. Due to the dynamically changing market needs and the current trends among the students, this is a difficult and always present challenge. However, a realistic and systematized dialogue in this field, based on reliable data that takes into consideration the voice of business, could be a good starting point for the integration of all stakeholders around the WBC.

Forms of dialogue and cooperation should be proposed that will permit the local firms, including SMEs, to take part with only a low work input. A positive example of the cooperation of the city with business in the field of education is the creation of two patron classes in the schools by agreement with two large employers. A patron class is a class in a vocational school that is supported by a patron company that participates in the development of the curriculum. The best graduates are guaranteed employment. However, such a form requires considerable outlays that only the biggest firms can afford. Currently, there are no other forms of dialogue or cooperation with employers that would take into consideration the needs and the limited potential of smaller firms.

SUSTAINABLE DEVELOPMENT OF THE KUJAWSKO-POMORSKIE REGION—RECOMMENDATIONS FOR REGIONAL AND MUNICIPAL ECONOMIC POLICY

The economic policy of the regional authorities should take into consideration the needs of the smaller centers that are losing their social and economic functions. The report of the Polish Academy of Sciences (Śleszyński 2016) points to the negative consequences of the loss of social and economic functions of medium and small towns, such as: the population decline, the worsening age structure, the loss of economic functions, and social problems. In a situation where the largest centers are developing more and more dynamically, developmental differences deepen within the region. According to the author, to counteract these constantly deepening differences, it is advisable to take up an individualized policy of development addressed solely to midsize towns. The social and economic challenges of the Włocławek subregion, diagnosed in this report, confirm the need for special actions targeted at supporting midsize and small centers. The following chapter contains recommendations for the economic policy of the region related to the support for entrepreneurship by business support institutions.

Changing the criteria of programs supporting the professionalization of the business environment institutions would fill the gap created by the previous financial perspective. Measure 5.1 in the ROP of the Kujawsko-Pomorskie Region for the years 2007–2013 (and similar measures in other regions) supported the construction of the infrastructure of the business support institutions. Under this measure, municipal incubators were built in Grudziądz, Inowrocław, Sępólno Krajeńskie, and Włocławek, as well as regional incubators in Toruń, Bydgoszcz, and Włocławek. Financing infrastructure was supplemented, to only a small extent, by support for the development of the competencies of the BSIS' staff, the preparation and testing of their offer, and the gradual expansion of the range of provided services. Consequently, the above-mentioned incubators are focused on renting space, without offering comprehensive support in the incubation process or services for mature firms. For this reason, the results of spending funds for stimulating local development, developing entrepreneurship, and improving the competitiveness of the existing firms have ultimately been modest. The weakness of the process was the focus on the creation of new entities and building infrastructure, while not enough support was provided for their survival in the market and ensuring conditions for further growth. Submeasures 1.4.2 and 1.5.2 in the current financial perspective should address this deficiency and add substantive services to the currently offered rental services.

The Regional Operational Program of the Kujawsko-Pomorskie Region for the years 2014–2020 apportioned €5 million for support of entrepreneurship through an increase of the potential of business support institutions¹⁷ within submeasure 1.4.2 Support of SMEs through business support institutions. The submeasure should make it possible to raise the competencies of the business support institutions in economically weaker centers. In the second half of 2017, a competition was announced for applications for submeasure 1.4.2 with financing in the amount of PLN 21 million. Following the competition, three business environment institutions were selected from Toruń and Bydgoszcz, which were awarded grants totaling PLN 1.2 million.¹⁸ The competition criteria limited the chances of BSIS from smaller centers. Preferences were given to institutions with experience, with a wide range of specialist services, with substantial financial resources (preferences for greater own contribution in the project, costly international accreditations) and institutions located in large urban centers (through a bonus for the addition of a large number of clients in the last years). Despite the reduced restrictiveness of certain criteria, the competition, announced in the last week of May 2019, still has requirements that will be difficult for an institution similar to the WBC to meet.

The objectives and criteria of submeasure 1.4.2 do not meet the needs of business support institutions (or firms for which these institutions operate), do not take into consideration the diverse potential inside the region, or the need for the availability of less advanced services. Submeasure 1.4.2 should especially take into account the needs of centers that are losing

their social and economic functions, and allow the participation of these institutions that most need the support in building their competencies. In these places, the return from public intervention may be the highest. The World Bank team recommends carrying out a diagnosis of the needs of BSIs and firms from smaller centers, and launching a third competition based on the findings of this diagnosis. The third competition would mainly be aimed at building staff skills and expanding the offer of the institutions in midsize and small towns.¹⁹

Similar barriers for less experienced BSIs were identified in competitions aimed at supporting the internationalization of enterprises (submeasure 1.5.3). In the EU 2014 – 2020 perspective, the Marshal Office of the Kujawsko-Pomorskie Region launched four competitions in which BSIs could take part. In all four editions, preference was given to institutions with considerable experience, measured by the number of provided services, the history of operation, and the number of firms serviced.

The Toruń Regional Development Agency (TRDA) and other BSIs could support the building of the competencies of business environment institutions in smaller towns in the region. The TRDA, whose main shareholder is the regional self-government, was established in 1995, to "carry out tasks fostering development of entrepreneurship and innovation in the Kujawsko-Pomorskie Voivodship [Region]", and as a partner with regional and local authorities in influencing the shape and competitiveness of the region's economy.²⁰ The agency has considerable experience in offering consultancy, training, support in applying for EU grants, innovative projects, and foreign cooperation. Due to the lack of a local partner or representative, the TRDA is not active in the Włocławek subregion. Familiarity with the business environment of the region, experience in supporting entrepreneurship, and the mission of the agency, make the TRDA an institution that should be involved in support for the transformation of the Włocławek Business Center, and a partner for projects in the Włocławek subregion. Such a model of cooperation is currently being used between the TRDA and the Toruń Direct Business Support Center, an institution of a character and scope of activities similar to the proposed WBC. Building competencies and supplementing the BSI offer in small and midsize centers through close cooperation with the regional BSIs and the use of networking should be supported within regional programs.

CHAPTER 3

HOW CAN BUSINESS BE SUPPORTED MORE EFFECTIVELY? THE KEY TO A SUCCESSFUL ECONOMIC POLICY

1. WHO WILL PAY FOR IT? WBC FINANCING SOURCES

The Włocławek Business Center should make use of diversified financing sources, contingent on the character of the entrusted tasks. The proposed tasks of the WBC include both direct business services and public activities related to shaping and implementing the local economic policy. The appropriate selection of financing sources is significant not only in terms of the grounds of intervention (public institutions should not replace a functioning market), but also for the long-term quality, stability, and effectiveness of this institution. Therefore, financing sources for activities require broader justification.

As a target goal, business services should be provided on market and commercial terms. Interviews with the firms and an assessment of the needs of firms carried out by the World Bank experts showed a great need for services supporting the growth of firms. A diagnosis of the business support institutions operating in Włocławek showed that they do not offer services corresponding to these needs. Entrepreneurs observe that the local private sector does not offer comprehensive training or advisory services either. Firms from Włocławek can turn to the much more attractive services offered in, for example, Toruń, Bydgoszcz, or beyond the region, but doing so raises costs considerably and reduces their availability. One of the ways of eliminating this market gap is to expand the services of the incubator and to develop its capacity, so that it can provide professional services to the local business sector and contribute to a more rapid growth of firms. At the initial stage of the development of the WBC, public intervention in financing business services is justified, enabling the positioning of the new institution, the improvement of the qualifications and experience of the staff, and building a base of potential clients. The city should treat co-financing of services provided by the WBC as an investment in the creation of conditions for carrying out a long-term policy of support for local economic growth. However, in the longer perspective, a gradually expanded base of business services should be accessible on purely commercial terms, based on co-payment, or supported by instruments from the Regional Operational Program. The examples of other towns show that an institution of this type can finance its operations wholly from client payments and by carrying out projects under regional and national support programs.

Gradual diversification of financing sources is necessary, as the continuation of financing services directly from the city budget—in the pure supply model—may lead to unneeded and low-quality services being offered. Such a gradation of financing sources is optimal. At the initial stage, it facilitates the overcoming of market deficiencies and the building of institutional capacity. As a target goal, it enables the shaping of the WBC offer and maintains the quality of services based on market mechanisms.

The incubation program for new firms is a justified public intervention and should be financed from municipal and regional funds. Incubation of enterprises essentially leads to deficits and is commercially unprofitable. However, the challenges faced by Włocławek are grounds for public intervention, and incubation can be financed by the city under the principles of an 'in-house' order in the WBC. Incubation pursues the objectives of the local economic policy by increasing local economic activity and promoting new enterprises that at the end of their participation in the program will be able to survive in the market on their own. Incubating should be treated as a category of public investment that will bring returns in the long term, which can be measured

by criteria, such as the number of jobs created by the incubated firms or the tax revenue. From the standpoint of the region's sustainable economic policy, the financing of comprehensive incubation programs from regional funds is justified.

Promotion of an entrepreneurial mindset among young residents of Włocławek is an investment in the future development of the city, and a potent response to the challenges of migration and the aging of the population. With the declining number of new firms and the intense migration of young people, the city's development policy should place a strong emphasis on stimulating entrepreneurial attitudes in this age group, and on support for the creation of attractive jobs. The activities proposed in the project do not require great outlays from municipal or regional funds, since they are based, for the most part, on improving the quality and targeting of ongoing activities, and the incorporation of volunteers from the business environment.

As a moderator of dialogue between the local government and the business environment, the WBC carries out public tasks. Entrusting the organization of in-depth dialogue between the city and the business environment to the WBC is designed to improve the management of the city, and to more effectively pursue public policy. Thus, the BSI should be financed from the funds of the local government. The BSI would carry out tasks commissioned by the local government, against payment, which otherwise would be carried out within city hall itself. Transferring these tasks to the WBC will break the impasse in local cooperation and build mutual trust, by carrying out concrete initiatives in partnership with the business community, and by moderating a constructive dialogue in areas of importance.

The city will bear the highest expenditures for the WBC in the first years of its operation. The city's investment in building the institution's capacity will result in an expanded support offer for firms and new instruments of cooperation with the business environment. With the development of the entity's capacity and a gradual switching to other financing sources, the city's subsidy may decrease and become limited to only financing commissioned public tasks. Diversification of the financing sources will also increase the WBC's financial and staff stability (see Table 8).

TABLE 8 Scope of activities of the WBC and financing sources

| Area of activities of the WBC | Pursued public objectives | Scope and sources of financing | | |
|---|---|--|---|--|
| | | The city's budget | Regional Operational Program | Commercially |
| Incubation | The city's economic policy, sustainable development of the region | Comprehensive incubation program | Comprehensive incubation program | |
| Services for mature firms | The city's economic policy, sustainable development of the region | Networking and pro-growth initiatives, supplementing local BSI offer | Innovation, growth services, internationalization | EU funds, specialist training and business consultancy |
| Promoting entrepreneurship | The city's economic and regional policy | Local initiatives | Regional programs | |
| Social dialogue, education-business cooperation | The city's economic policy | Moderation of dialogue in the field of economic and educational policy of the city | | |

■ Available financing sources for given scope of activities ■ Unavailable financing sources

Source: own study

2. OPTIMAL LEGAL FORM FOR THE WBC

Legal forms of BSIs in Poland

Services supporting the growth of firms can be provided by entities of various legal forms. BSIs in Poland are usually established by local government units, business organizations and universities, and assume various forms:

- Private limited company—such as the Leszno Business Center, the Silesian Business Incubator
- Municipality's budgetary entity—such as the Turek Entrepreneurship Incubator, the Kielce Technology Park
- Foundation—such as the Kalisz Business Incubator Foundation, the Poznań Science and Technology Park (Adam Mickiewicz University Foundation)
- Chamber of commerce—such as the Turek Chamber of Commerce, the Staropolska Chamber of Industry and Commerce

A new business support institution is usually established by the city or local government in the form of a private limited company. In some cities, instead of establishing a new legal entity, a BSI was organized within the town hall, with the status of a municipal budgetary entity). Most probably, the least frequently used form is a foundation. Chambers of commerce are entities of economic self-government that associate entrepreneurs. Since the local government authorities have no direct influence on their establishment, this legal form will not be analyzed further.

Comparative analysis

The legal form of a BSI affects key aspects of its activities. Therefore, the decision in this matter must consider, above all, the objectives set for this entity. Currently, the Włocławek Innovation and Entrepreneurship Incubator is a part of the Municipal Management of Services and Roads in Włocławek, operating in the form of a budgetary entity of the city. When making the decision on transforming this incubator into the Włocławek Business Center, and entrusting it with the new functions described in Chapter 2, it should be noted that the legal form of the WBC will have an impact on its functioning in several aspects:

- The scope of activities of the institution
- The ability to acquire selected financing sources
- The ability to take part in networks and partner projects
- Managing the institution's finances (decision-making and budgetary autonomy of the institution)
- The ability to recruit, retain, and motivate skilled staff
- The market-oriented attitude of the institution and its perception among entrepreneurs

The lack of a separate legal personality for a BSI leads to a limitation in the scope of its activities. The basic difference between a local-government budgetary entity and other forms is that a company and a foundation have a legal personality, which affects its operation and the perception of other institutions with various legal forms. For example, budgetary entities may not invest in incubated enterprises, as the city council would then have to serve the role of a shareholder. A company and a foundation allow for a broader scope of activities of a BSI, mainly because both forms have access to a broader range of financing sources for their activity. International, national, and regional projects that facilitate the strengthening of the offer for firms (for example, offering services within the Growth Services Database) and the bolstering of the BSI staff and its networking, often rule out the participation of local government units.

A BSI in the form of a limited company or a foundation has greater decision-making and budgetary autonomy. As opposed to a company, a municipal budgetary entity does not have its own assets and the managing board cannot use its revenue, which is directly returned to the municipal budget. Each year, the total financing of a budgetary entity, as well as any changes during

the year, are the subject of a resolution of the municipal council. This considerably limits the capacity and incentives of the BSI management to react to the market needs, placing the emphasis on executing the annual financial plan. At the same time, it increases the risk of the inefficient use of resources, or even mismanagement. Furthermore, the implementation of BSI objectives is more exposed to non-substantive factors, since the budget is the subject of a political decision of the city council. In the case of a non-profit limited company fully owned by the city, the city council can only influence the BSI financial situation regarding ordering specific services (in-house commissioned tasks) or through equity contribution.

From a legal point of view, the management of a private limited company or foundation has greater decision-making autonomy than the head of a budgetary entity. The local government administration staff reports to the city authorities, whereas the managing bodies of a company or foundation report to the supervisory board or council of the foundation. Autonomy and speed in decision making improve their efficiency and credibility among partners from the private sector.

A budgetary entity is constrained in recruiting and retaining qualified staff. The workers of municipal budgetary entities have the status of civil servants, which is linked to special rules of employment that are characteristic of the public administration sector. Detached from the market reality, the ways of remunerating and motivating workers may lead to difficulties in the recruitment of competent staff and the adjustment of the workers' qualifications to the dynamically changing needs. Providing specialist business services requires highly qualified staff with business experience and the right attitude, or the engagement of external experts. Starting such activity and maintaining a high level of quality may be very difficult within the structures of a city hall, particularly in a city that is not a strong academic center and is experiencing a brain drain.

Facing market reality builds the credibility of the BSIs. The organizational and legal form, as well as the employment conditions of workers, may form incentives for the management and workers to adjust and expand the offer and services for clients. With the lack of organizational and budgetary autonomy, the offer of a budgetary entity may be more the result of political decisions (the supply-based model) than the workings of demand mechanisms and information from the market. Also, people working in BSIs say that the status of a commercial company inspires greater trust among entrepreneurs, who are often disillusioned with public administration.

A foundation is not a form recommended when pursuing an active economic policy. In the case of a foundation, the city may transfer its assets only at the moment of its incorporation, and indicate in the statute the manner of appointing the management. Next, the foundation becomes an entity entirely separated from the local government, both in financing and management, and therefore is not a recommended legal form when the local government is pursuing an active economic policy.

A special purpose limited company is the optimal legal form for a business support institution established by the local government (see Table 9). The implementation of objectives set for the WBC is difficult, and to a certain extent may be impossible without the legal separation of the BSI from municipal structures. The threat to the effective execution of entrusted tasks by a budgetary entity exists, particularly in the medium and long term, due to the full dependence of the institution on financing from the city's budget. Also, building an attractive offer and a competent team, while maintaining a high quality of business services, may be difficult in the situation of a public administration

TABLE 9 Various legal forms of BSIs—advantages and disadvantages

| | Budgetary entity of a city | Company | Foundation |
|---|----------------------------|---------------------|---------------------|
| Legal personality | Not at all | Fully | Fully |
| Scope of activities—support instruments | Significant limitations | Fully | Fully |
| Flexibility and business-oriented attitude | Significant limitations | Fully | Certain limitations |
| Qualified and motivated staff | Significant limitations | Fully | Fully |
| Decision-making and budgetary autonomy | Significant limitations | Certain limitations | Fully |
| Financing commissioned tasks from a city's budget | Fully | Certain limitations | Not at all |

■ Fully ■ Certain limitations ■ Significant limitations ■ Not at all

Source: Own study.

entity, due to the limited decision-making and budgetary autonomy, the distortion of demand mechanisms, rigid regulations on employment, and the perception of the public administration among entrepreneurs. In addition, an institution operating in circumstances similar to market reality is considered more trustworthy by entrepreneurs.

3. FACTORS FOR THE SUCCESS OF THE WŁOCŁAWEK BUSINESS CENTER

Competent staff, professional services, stable financing, and building recognizability and trust among the entrepreneurs are the key factors for the success of the WBC. The chapter below describes, in brief, these potentially decisive factors. The recommendations are based on the experience of the World Bank experts in their work with BSIS in Poland.

Incorporation of local stakeholders in the form of a social agreement

The course of economic policy and activities of the Włocławek Business Center should be established in a consensus between the local authorities, entrepreneurs and their representatives, business environment institutions, and other stakeholders. The consensus could be reached in the form of a public agreement for entrepreneurship, establishing the framework for future regular in-depth dialogue, and the principles of cooperation in the most important matters for local business and the economic development of Włocławek. The World Bank team recommends that the agreement include the following factors of key importance for the success of the Włocławek Business Center:

1. Commitment to establish and promote the Włocławek Business Center, offering comprehensive support for new and mature firms, promoting entrepreneurship and actively participating in shaping the economic policy in the city
2. Commitment to finance the WBC during the formation of this institution, then commissioning tasks financed from the city budget, thereby implementing the objectives of the local economic policy
3. Commitment to create a highly qualified WBC team capable of providing specialist services and continuously raising its qualifications and skills
4. Commitment to apply transparent control mechanisms for the activities of the WBC, with the participation of representatives of the business community and external stakeholders, and to maintain independence from political changes

Stable political environment and financing

To provide services for newly established and mature firms, business support institutions need to be a trustworthy partner that ensures high professionalism. Such an approach requires the consistent implementation of the chosen action strategy. The crucial factor in building a reputation in the business environment is the professionalism of the substantive staff and the quality of the provided services. Stable and adequate financing is of central importance for building a durable team of qualified workers that are engaged in long term work for the WBC and in pursuing the implementation of the strategy of the institution. Analysis of the long-term financing forms shows that to develop a comprehensive WBC offer, it will be necessary to ensure financing on the part of the city, particularly during the inception of the institution. With the development of a range of services, and the commercialization and acquisition

of external financing, it is expected that the share of municipal funds in the entity's growing budget will decline. Diversification of financing sources is also aimed at increasing the budgetary autonomy of the institution.

The activity of the WBC should be independent of the changes in the political situation.

Irrespective of the legal form chosen, the local government will be the owner of the WBC and will have an influence on the management of the institution. This poses a risk of inessential interference with the operation of the entity. Changes in the management, or in the course of action of the WBC, that are dictated by the current (political) policy, may lower the reputation of the WBC, and lead to its perception as a municipal entity and not a professional partner. Changes in the institution should be independent of political changes, and should be dictated by substantive issues. Such a policy would be reinforced by a transparent mechanism for the control of the activity of the WBC and its results.

Promotion of the WBC

Providing business services makes it necessary to reach potential clients with its offer and to gain their trust.

In addition to a professional staff and services, a key factor to the WBC's success is the implementation of an effective communication strategy, aimed at reaching potential clients with its offer, and building an image of the BSI as a trustworthy business partner. The Włocławek Business Center, as an instrument of the municipal policy of support for firms, should be included in the city's information and promotion activities. Organizational cells and units of the city should actively support the promotion of the WBC in their headquarters during meetings with entrepreneurs, as well as in the promotion and information materials. For example, the activities of the WBC could be promoted by addressing information letters from the city mayor to all the owners of firms registered through city hall.

Competent staff

The competence, knowledge, and experience of the team of the WBC workers determines the effectiveness of the implementation of the mission and strategy of the business support institution.

In the case of the WBC, the tasks of the team include the four activities proposed in Chapter 2, as well as the administration of the incubator's infrastructure, and the organizational and financial supervision of the entity.

The WBC team should be selected in an open competition according to strictly substantive criteria.

The most important resource of a business support institution is its workers. Their involvement, qualifications, and professionalism build the institution's reputation, and win and retain clients. The WBC staff should receive pay that is competitive in the market, and the process of hiring the staff should be transparent and based on such substantive selection criteria as: theoretical knowledge, professional experience, and interpersonal skills. Staff changes dictated by political considerations are particularly unfavorable for an entity's reputation among entrepreneurs and citizens.

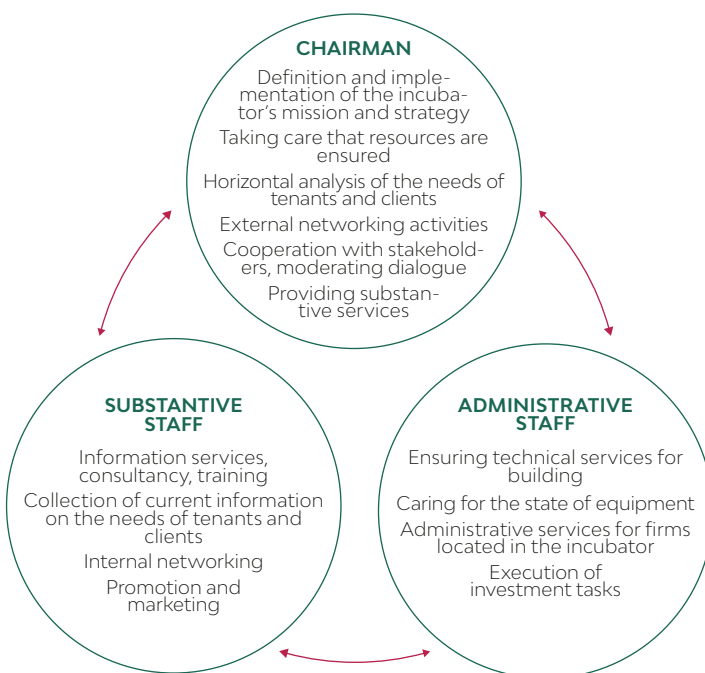
When building a team, it should be carefully considered which activities should be performed by a standing team, and which ones can be commissioned to external partners or expert.

The creation of a team in the incubator structures that would cover all the needs of the clients for services with its competencies is not optimal in either economic or organizational terms. The WBC should adopt the model of providing support based on partial outsourcing. This requires building a network of trainers, mentors, and external experts. Such a model will allow the WBC to supply highly specialized advisory and training services, despite having a small staff. The selection of tasks commissioned to external entities, should factor in the consequences for the organization, and for the implementation of the WBC strategic goal. Activities that serve to build the relationship between the center and its clients, in particular, should not be commissioned externally.

The WBC team dealing with the earlier-described areas of activity should be composed of at least five people working full time, performing management, substantive, and administrative functions (see Figure 9). Coordination and management should be performed by the chairman. Activities related to the support for firms would be carried out by the chairman together with the substantive team, composed of specialists in incubation, the growth of firms, marketing, and local cooperation. The main task of the team for substantive support would be:

- Investigating the needs and defining the scope of training and advisory services for incubated and mature firms
- Providing services through the use of own resources and external experts
- External promotion addressed to firms, and internal promotion addressed to the center's team²¹
- Local cooperation and entrepreneurship promotion

FIGURE 9 Organizational chart of a technological incubator



Source: Own study.

Supervision of the infrastructure, taking into account the needs of incubated firms as well as the center's team, would be the responsibility of the **building management specialist**. The proposed organization of the WBC staff is meant to be a compromise between multi-functionality and the specialization of workers.

Given the challenges of the labor market in Włocławek, emphasis should be placed not only on acquiring but also on retaining talents. Apart from a competitive remuneration level, the WBC must provide the possibility of employees' development, and have in place an employee performance appraisal system. Continuous building of the competencies of the team can take place through the participation of the WBC staff in courses and training programs, as well as through the promotion of cooperation with external experts and cooperation with the larger, more experienced institutions (such as TRDA). These elements will expand the WBC offer, thanks to newly acquired contacts and access to train-

ing conducted by other business support institutions, as well as ROP projects designed to enhance the skills in the BSIs. A transparent employee performance appraisal system should help keep the best workers. To maintain motivation, it is necessary to convince workers that the course of operation of the center is determined by substantive aspects and not by political changes in the city or the region.

The WBC as a learning institution

Knowledge of the effects of actions carried out by the WBC is of crucial importance for the development of the institution, for making changes, and for its perception by stakeholders. The creation of an action plan, and its subsequent modifications, requires continuous monitoring of the needs of entrepreneurs and of the deficiencies in the support instruments existing in the market, as well as the monitoring and evaluation of the impact of the activities, and the effectiveness of the processes. Input on the scope and effectiveness of activities, their compliance with the WBC's objectives, and the strengths and weaknesses of the institution, is also expected from the broad group of external stakeholders.

The Włocławek Business Center should be an organization open to learning and change. The collection and analysis of experiences, and the introduction of changes, can be based on a system of monitoring and evaluation (M&E) that is incorporated into the WBC strategic document. The M&E system includes:

- **Monitoring of processes and effects:** evaluation of the internal effectiveness and efficiency of the organization, carried out on the basis of an annually established set of indicators that includes the annual reporting of the operational and financial dimension (administration, management, finance, and staff), as well as the substantive dimension (scope of provided services)
- **Monitoring of the quality of services:** assessment of the satisfaction of clients, in the case of tenants—each year within a study dedicated to them, and in the case of external clients—on an up-to-date basis, including among other things, an analysis of the quality of provided services, their usefulness, and effectiveness
- **Evaluation of the activities of the institution:** commissioned every few years to external independent evaluators, to evaluate: the effectiveness of the WBC's activities, their impact on the entrepreneurs and the local economy, and the organizational effectiveness of the WBC. The evaluation should also include recommendations for changes

Monitoring of the activities carried out and the services provided by the WBC should be performed on a continual basis, and the collected information should be documented and used in regular analyses and evaluations. As part of the Catching-up Regions project, the World Bank team is preparing guidelines for the monitoring and evaluation of the WBC.

Reports on the activities of the WBC and their effects are an integral element of the responsibility of the institution to its stakeholders. If the legal form for the WBC is a limited liability company, control responsibilities will be performed by the supervisory board, that will regularly receive and accept reports on current activity. The reports will also be a part of the regular information provided to the WBC owner, the city of Włocławek, and the annual report should be presented before the relevant committee of the city council.

The creation of an advisory body composed of representatives of the business community and other institutions is also a good practice. Such a function could be assumed by the Entrepreneurship Council appointed by the mayor. Its task would be to monitor the achievement of the institute's objectives included in the agreement for entrepreneurship. The council would be composed of the signatories to the agreement: representatives of the entrepreneurs, business environment institutions (including the WBC), higher-education institutions and vocational schools, and city hall. The council would give opinions on the annual reports of the WBC and would provide advice when planning the future course of action.

Effective implementation of recommendations

Taking the next steps is within the city's remit. It is the city that ultimately decides on the exact shape of the WBC, who will be employed there, and what kind of cooperation it will have with city hall. To help the authorities of Włocławek in launching the new institution, the World Bank team took several additional actions after this report had been edited. The first was the organization of a visit to Heerlen in the Netherlands, where representatives of Włocławek had an opportunity to see how this Dutch midsize city is solving the challenges related to depopulation and deindustrialization. All-day workshops examined such topics as: the economic transformation of the city, promotion, managing the city's real estate, and revitalization. Then, representatives of city hall, ISC, and the current administrative team went on a study visit to the Kalisz Business Incubator and the Leszno Business Center. At the conclusion of the project, the World Bank team also prepared: a financial analysis of the municipal incubator, recommendations for changes, as well as an action plan for the first few years. There was also a workshop on the organization of training by business support institutions.

NOTES

1. Working name of the entity adopted for the needs of this report.
2. The Polish language version of the document includes annexes with additional information, e.g. project timeline or detailed recommendations for the Regional Operational Program.
3. In this part of the report Włocławek is compared to the main cities in the Kujawsko-Pomorskie Region: Bydgoszcz, Toruń, Grudziądz (all cities with district rights) and Inowrocław (municipality). Only the city of Włocławek is compared, and not the Włocławek functional urban area, because some of the data is not available at the municipal level. In addition, Bydgoszcz and Toruń do not have a defined functional area, which rules out a reliable comparison. Where possible, we use data at the municipal level for Inowrocław, and district data for Bydgoszcz, Toruń, Włocławek and Grudziądz, in order to compare the municipal units. If data for the municipality of Inowrocław was not available, data for the Inowrocław District was used (marked in graph), which also includes the bordering rural areas.
4. According to the Local Data Bank, the number of people who moved into the Włocławek functional urban area (with the exclusion of the city itself) was greater by 950 individuals than the number of people who moved in from 2010 to 2017 (net immigration). In the same period, 2,700 more inhabitants moved out of the city of Włocławek than moved in (net emigration). There is no data on how much suburbanization contributes to the emigration from Włocławek.
5. According to the Local Data Bank, in the Kujawsko-Pomorskie Region, the percentage of people of post-working age is 20%, and in Włocławek, it is 24% (as of the end of 2017).
6. Occupationally active persons are those who are working and registered unemployed people. Unemployed people are those who are registered in the register of unemployed people, not employed, and not performing gainful work, but capable of working and ready to take up employment. People not performing professional work, and not expressing readiness to take up employment, are counted as occupationally inactive.
7. Data concerning employment according to sector are for enterprises with more than nine workers, and budgetary entities, irrespective of the number of workers. In the case of the district of the city of Włocławek, this is 79% of all working people, and 77% in the case of all of Poland.
8. Inowrocław has been excluded from analysis because it is not a city with district rights, and data on employment according to sectors are not available for this city.
9. Data on applications concern only grants. Due to the lack of data, information on applicants for repayable instruments was not taken into account. Status as of 30.11.2018.
10. The methodology was proposed in the World Bank publication (2016).
11. The World Bank report (2018a) states the reasons for the low participation in twin-track education in Poland are the voluntary character of education, and the lack of support mechanisms or tools facilitating or encouraging such undertakings. In view of the above, in the case of Włocławek, it will be easier to implement on-the-job training. The success of the undertaking depends on the cooperation of the Department of Education of Włocławek City Hall with the entrepreneurs, where the WBC can serve as moderator.
12. The criteria for selecting a sample in both projects were similar. One of the objectives of the project in the Podkarpackie and Świętokrzyskie regions was exports support. To examine the needs of firms in these regions, firms that were selected for the interviews provided tradeable services and goods, that is, ones that could be traded at a distance, such as crops, processed goods, information and communications technology (ICT) services, and so on. However, the relatively small number of firms in the sample should be taken into account in interpretations. More information can be found in the World Bank publication (2017b).
13. In the questionnaire, the entrepreneurs were mainly asked about external barriers where the city authorities have greater influence. Therefore, in the questionnaire there were no answers concerning the firms' own competencies. As stated in point 2, according to the Bank's experts, the entrepreneurs were often unaware of the limitations and barriers of their firms.
14. The Business Support Center in Toruń has developed the 'Made in Toruń' mark, which distinguishes local firms with a quality product or services. A special jury has been awarding the distinction since 2018. For more information see: <https://www.torun.pl/pl/made-torun-o>.
15. For the needs of this report, business support institutions are defined in the broadest possible way, that is, as entities which, irrespective of their legal form, carry out activities for the development of entrepreneurship and innovation in the Włocławek functional urban area. The data for this subchapter was gathered during interviews with business support institutions in Włocławek in December 2018 and January 2019.
16. The Growth Services Database is a publicly available free catalog of such services as training, vocational courses, and mentoring aimed at developing the competencies of institutions, firms, workers, and private individuals. The database is financed from the Operational Program Knowledge Education Development and managed by the Polish Agency for Enterprise Development. <https://serwis-uslugirozwojowe.parp.gov.pl/informacje-o-portalu/o-nas>.
17. The information in this paragraph is based on the appendix to Resolution NR 4/136/18 of December 12, 2018. "Detailed description of priority axes of the Regional Operational Program of the Kujawsko-Pomorskie Region for the years 2014-2020."
18. Information on the basis of results of the call for applications from: <http://www.mojregion.eu/index.php/rpo/zobacz-ogloszenia?mmid=148>.
19. Annex 7 in the Polish version of the report shows the detailed recommendations for the competition rules and the project selection criteria.
20. More information on the TRDA can be found at: <https://www.tarr.org.pl/o-agencji/>.
21. Elements of internal marketing are, among other things: workplace organization and equipment, organization of work, opportunities to develop competencies and knowledge, and the remuneration of workers.

BIBLIOGRAPHY

- Ageron Polska (2014), *Delimitacja Obszaru Funkcjonalnego Miasta Włocławek* (Delimitation of Włocławek Functional Urban Area)
- European Commission (2013), *Entrepreneurship 2020 Action Plan*
- Gmina of the City of Włocławek (2014), *Strategia rozwoju miasta Włocławek 2020+* (Strategy for the development of the city of Włocławek 2020+)
- Gmina of the City of Włocławek (2015), *Strategia rozwoju Obszaru Strategicznej Interwencji dla miasta Włocławek oraz obszaru powiązanego z nim funkcjonalnie* (Strategy for the development of the Strategic Intervention Area for the city of Włocławek and the area functionally linked with it)
- Gmina of the City of Włocławek (2018), *Ewaluacja Strategii Rozwoju Miasta Włocławek 2020+ w połowie okresu jej obowiązywania* (Evaluation of the Strategy for the Development of the City of Włocławek 2020+ in the middle of the period of its validity)
- Guliński, J.; Zasiadły, K. (ed.) (2005), *Inkubator Przedsiębiorczości Akademickiej. Podręcznik dla organizatorów i pracowników* (Academic Entrepreneurship Incubator. Manual for organizers and employees), MGiP (Min. of Economy and Labor), Warsaw
- Matusiak, K.B. (2011), Rola i miejsce instytucji wsparcia w realizacji polityki innowacyjnej (The role and place of support institutions in innovation policy), "Zeszyty Naukowe." Ekonomiczne Problemy Usług (Economic Problems of Services)
- Metz, M.R.; Hill, J. (2017), *Typology of Small and Medium Enterprise Needs and Interventions*, World Bank Group
- OECD (2015), *Youth Entrepreneurship Support in Poland, Rapid Policy Assessments of Inclusive Entrepreneurship Policies and Programmes*
- Rice, M.P.; Matthews, L. (1995), *Growing New Ventures, Creating New Jobs: Principles and Practices of Successful Business Incubation*, Quorum Books
- Śleszyński P. (2016), *Delimitacja miast średnich tracących funkcje społeczno-gospodarcze, opracowana na potrzeby Strategii na Rzecz Odpowiedzialnego Rozwoju, Państwowa Akademia Nauk* (Delimitation of midsize towns losing their social and economic functions, prepared for the needs of the Strategy for Sustainable Development, Polish Academy of Sciences)
- World Bank (2016), *Toward an innovative Poland: the entrepreneurial discovery process and business needs analysis* (Vol. 2): final report. Washington, D.C.: World Bank Group
- World Bank (2017a), *The innovation paradox: developing-country capabilities and the unrealized promise of technological catch-up*. Washington, D.C.: World Bank
- World Bank (2017b), *Poland Catching-up Regions: activating entrepreneurship in deprived areas* (English). Washington, D.C.: World Bank Group
- World Bank (2018a), *Getting Out of School and into the Workplace: Strengthening Work-Based Learning in Upper Secondary Technical Education in Poland's Świętokrzyskie Region*. Washington, D.C.: World Bank Group
- World Bank (2018b), *High-Growth Firms: Facts, Fiction, and Policy Options for Emerging Economies*. Washington, D.C.: World Bank
- World Bank (2018c), *Productivity Revisited: Shifting Paradigms in Analysis and Policy*. Washington, D.C.: World Bank
- World Bank (2019), *Return on Public Investment to Innovation Support in Poland, Summary report*
- Zarząd Województwa Kujawsko-Pomorskiego (2019), *Szczegółowy opis osi priorytetowych Regionalnego Programu Operacyjnego Województwa Kujawsko-Pomorskiego na lata 2014—2020 ("SZOOP RPO")* (Detailed description of priority axes of the Regional Operational Program for the Kujawsko-Pomorskie Voivodship [Region] for the years 2014—2020), Appendix No. 1 to Resolution No. 14 /562 /19 of April 10, 2019, <http://www.mojregion.eu/index.php/rpo/prawo-i-dokumenty?mmid=132> (accessed 05.19.19)

